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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

[Ontario]

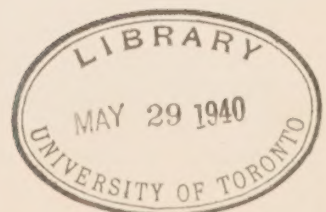
Vol. 3, Pt. 1-3

APR 29 1938 — May 3, 1938

REPORTERS:

George Thompson
John Robertson
David Torry

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TORONTO, ONTARIO, APRIL 29, 1938.

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

TORONTO, ONTARIO, APRIL 29, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Parliament Buildings, Toronto, Ontario, on Friday, April 29, 1938, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFOE, Esq.)	Commissioners
DR. ROBERT ALEXANDER MACKAY)	
PROFESSOR HENRY FORBES ANGUS)	

Commission Counsel:

Louis S. St. Laurent, K. C.

Secretariat:

Adjutor Savard, Esq.	Acting Secretary
R. M. Fowler, Esq.	Legal Secretary
	to the Chairman
Wilfrid Eggleston, Esq.	Assistant to the
	Secretary

FOR THE HOME BUILDERS ASSOCIATION
OF TORONTO:

Mr. H. W. Timmins	Counsel
Mr. H. Fugler	Representative

FOR THE ONTARIO SCHOOL TRUSTEES & RATEPAYERS ASSOCIATION:

Mr. F. H. Rutherford	Representative
Mr. M. A. Campbell	Representative

FOR THE MUTUAL FIRE UNDERWRITERS' ASSOCIATION

OF ONTARIO:

Mr. W. K. Cross	Secretary
-----------------	-----------

FOR THE ONTARIO TEACHERS COUNCIL:

Mr. W. Hanna Representative

FOR THE ONTARIO BRANCHES OF
CANADIAN ASSOCIATION OF SOCIAL WORKERS:

Mrs. Cameron Parker Representative

FOR THE ONTARIO LIBRARY ASSOCIATION:

Mr. W. Stewart Wallace Representative

FOR THE WELFARE COUNCIL

OF TORONTO:

Professor H. J. Urwick Representative

Parliament Buildings,
Toronto, Ontario,
April 29th., 1938.

MORNING SESSION

The Commission met at 10.30 A.M.

THE CHAIRMAN: The Home Builders' Association of Toronto; Mr. Timmins, you present the brief?

Mr. H.W. Timmins, Counsel for the Home Builders Association, was called.

MR. TIMMINS: Mr. Chairman, and Gentlemen, I am appearing with a short brief for the Home Builders' Association of Toronto. This is an association composed of builders who are engaged not only in building homes but in building stores, apartments, duplexes, and business property generally. I have associated with me Mr. W.J. Fugler, the Chairman of the Legislation Committee of the Home Builders' Association, a man who has had many years experience in the building industry in Toronto. The group that I represent is composed not only of home builders but they are, in fact, home owners. The problems which concern the owners of property generally in respect to taxation, generally effect them. It is not a sectional representation we are making here, we are not making any representation in respect to home builders, but we are making it as being part of the whole body of home owners who are affected by taxation. The brief is short, and it only deals with the question of taxation and with the matter of unemployment in the building industry. With your permission, I will read the brief.

" It is contended by this Association that the most vital problem to be solved in this province today is that of lifting the burden of taxation from off the back of the property owner, large and small. The burden has now reached the point where out of every dollar expended by a civic Government, eighty cents

is taken out of the pocket of the property owner. The unfortunate position of the property owner has become intolerable. The basis of taxation must be broadened."

By that we mean somebody else must be brought in to help bear the burden.

" This month the Ontario Government has been engaged in making demands on the Federal Government to enable the province to take 'first crack' at the collection of income tax within the province, a demand which the Dominion Government has refused. At this present moment the municipalities throughout the province are clamouring at the doors of Premier Hepburn for additional grants in respect of Hospitalization and Primary and Secondary Education, and at the same time to be substantially relieved of the burden of direct relief and all social services which have been forced upon them by the provincial government. Actually, right now the cost of relief and the distribution and payment of same has become a more acute problem than ever. This month the Ontario government will provide 45% of the cost of direct relief, the municipalities 35% and the Dominion only 20%. The Federal Government has been consistently cutting down its proportion towards direct relief, so that the burden has fallen more heavily than ever upon the provinces and the municipalities. And this in the face of another siege of unemployment which has fallen upon us. At the present moment more than one thousand men a day are being thrown out of work, which simply reflects the employment recession that set in in the United States about September or October, 1937."

THE CHAIRMAN: Mr. Timmins, where do you get the figure of one thousand men a day?

MR. TIMMINS: Well, those figures are not my own, sir, I am drawing on information which has been given to me from other sources. I had a conference in another matter with the Minister of Finance, Mr. Dunning, in Ottawa, possibly two or three months ago, and although the figures did not come from Mr. Dunning himself I gathered the information when I was there, that it was as bad as I state here.

COMMISSIONER SIROIS: That was about four months ago?

MR. TIMMINS: Yes. This brief was prepared at least a month ago, but the statement I make in the brief was made two or three months ago.

" Added to this is the fact, that nothing tangible has been done by either the Federal Government or the provincial government to relieve unemployment in the Building Industry, with the result that unemployment in this industry is more acute than it has ever been. The Home Improvement plan of the Federal Government has only been a 'flash in the pan' with respect to assisting the building industry. We are convinced that if the building industry could be reestablished on a sound basis that 70 per cent of our unemployment problems, including direct relief, would solve themselves. But how can building be stimulated when the taxation burden on real estate makes real estate the "deadest" commodity on the market?"

If I may digress for a moment, in the province of Ontario our government has attempted to assist by the passing of an Act called the Industrial Standards Act, but in the building industry there has been so much unemployment that the Act has, if I may say so, failed to do anything to

relieve the unemployment situation and increase the standards of wages in the building industry and for the most part, in the building trade itself, the Act has proved to be unenforcible, no matter how beneficial it may be in respect to other industries. Then, in respect to the assistance given by the Dominion Government under the Home Improvement Plan as one who has had some experience connected with the building industry I must say we do not find that it has had any thing but a very small effect in stimulating industry.

Yesterday we had a group here from East York, and if you remember, they said that in their municipality of some 38,000 people, a great number of their people were employed as mechanics in the building industry and we have heard the dire stress that municipality is in. It is people of that sort who are greatly affected by the unemployment situation which the industry is going through. I mention at the end of the above statement that real estate is the deadest commodity on the market. It has been stated here by other people who have submitted briefs, that it is cheaper to rent than to buy, and if I may say so, the public seem to have lost faith in real estate. In addition to that, there are fewer people who are home owners in the City of Toronto today than there were a number of years ago. I understand that that matter was touched on here yesterday, and I have some figures which have been compiled from information received from the City of Toronto Assessment Department, which show that in 1931 there were owners occupying homes in the city of Toronto to the number of 64,664, whereas in 1937 that number had dropped to 57,609. So that we have 7,055 less owners of property in 1937 than we had in 1931.

THE CHAIRMAN: What increase has there been in the population?

MR. TIMMINS: The increase in population has been from

627,231 to 648,309, which is an increase of approximately 22,000.

" It should be remembered that in the realm of Taxation, under the British North America Act, the Federal Government has all means of taxation, direct or indirect, at its control, whereas the provincial government can only collect revenue by direct taxation. The municipalities on the other hand can only collect revenue by such means as are expressly delegated to them by the provincial government, mostly under the Municipal Act. For the most part the powers of taxation are predicated upon real estate, and so real estate has been made to 'pay the shot'. Much of our Social Service Legislation has been enacted in recent years and an inordinate portion of the cost of paying for same has been thrown upon the municipalities, to collect revenue for same in the only way possible, -- through further taxation upon real estate."

I might say, sir, that a great part of our legislation, such as the Old Age Pensions, Mothers' Allowance, Deserted Wives Act, and so on, has come into being in the last ten or fifteen years, at the most, and it was all predicated and thrown back on real estate to collect money to pay for these services.

" To make matters worse, Premier Hepburn has taken away even the Income Tax last year from the Municipalities.

As to the method of taxation upon real estate, it is submitted that the existing fundamental error lies in the fact that the estimated capital value of land forms the basis of municipal taxation, whereas it is freely admitted that the only fair and reasonable basis of taxation should be the

revenue producing ability of such property. Only about one-half of the social services and other charges levied against real estate have any connection or concern to the taxpayer himself. For example, the following items are directly charged against the taxpayer on real estate -- "

These have been referred to in other briefs.

THE CHAIRMAN: Yes, we have had them before.

MR. TIMMINS: " -- It is an outrageous state of affairs, that it should be, that the cost of all these matters should be thrown on the taxpayer on real estate. He should be no more responsible for the cost of maintaining the Children's Aid Department than is the man who has his surplus earnings invested in good Government Bonds, or in Industrial Stocks, or in some other form of wealth; but at the present time it is the property owner who pays the shot.

The greatest problem of all, of course, in respect of these social services, is direct relief. It is quite apparent that at the present time the Dominion Government is not supplying its fair share for direct relief, because it has all means of taxation at its disposal. For that reason the burden thrown on the municipalities is far too great and the burden on the municipalities means actually a burden on the real estate taxpayer. Either the municipalities must borrow capital to pay this direct relief, or it must endeavour to do so out of its current taxes and this has proved impossible throughout past years.

The load cannot be borne further by taxation on real estate.

The second important defect in Ontario is, in the municipal taxation system that the control over municipal councils is in the hands of an electorate of whom the great majority pays no municipal taxes at all and for that reason have no interest in keeping down the expenditures of the municipal corporation. They are therefore not concerned as

as to whether or not the municipality has to pay the shot for the maintenance of indigent persons from other municipalities who swarm into the city from other municipalities and go on relief, nor are they concerned at all with the cost of primary and secondary education. It should be fundamental that only those should vote, in municipal elections, who pay municipal taxes in one form or another. In this regard it is futile to say that a tenant pays taxes and should be entitled to vote. It is the landowner who pays the taxes on the property.

The third defect in municipal system in Ontario is that over one-third of the municipal budget is separate and apart from any control by the municipal council."

THE CHAIRMAN: That is the school board question. We have had that aspect presented to us very fully, Mr. Timmins. You endorse what has been said?

MR. TIMMINS: I endorse entirely that the municipality is only a conduit pipe for the school board. Then going on to the next paragraph:

" Premier Hepburn had admitted certain of these defects in the Ontario system and he has publicly stated that it is his intention to reduce the burden as much as possible upon the real estate taxpayer. He has stated that it is his intention to endeavour to increase the grants to the municipalities for schools and also to increase the grants for hospitalization purposes. Last year when the income tax was taken away from the municipalities and grabbed by the province, the province of Ontario did relieve the municipalities in respect of Mothers' Allowances and Old Age Pensions, but the province of Ontario got much the best of the bargain.

This problem is not the problem of the City of Toronto, or any other municipality, alone, but it is the problem of every municipality in Ontario. Actually it is only a few weeks since the City Council of Toronto was faced with striking off the highest tax rate in the history of the City and there is apparently nothing they can do about it. We wish to stress the fact that while each year assessments have been going up and taxes have been increasing, at the same time land values and building values have been coming down. In the early days of Ontario a man's wealth was valued in respect of the land and property he owned, but beginning shortly before the War and certainly since the War, a man's wealth is for the most part estimated in stocks and bonds and the farther we get away from the value or worth of real estate, the more unsound fundamentally becomes the financial structure. The worst type of an estate that a man can leave his widow in this present day is one composed of real estate. Surely this is a tragic state of affairs and one which should and could be quickly remedied. Actually it is cheaper to rent a residence today than it is to own one and maintain it."

May I take a moment just to say this: That in respect to the ownership of property there are certain exactions or penalties which we have at the present time in Ontario, at least, which make it very unattractive and very dangerous to own property. For instance, there is first of all the direct tax, or lien, on your property. Followed by that, under the Municipal Act the municipality may levy a distress against your goods, and further than that, in recent years municipalities have taken action against owners in respect

to their tax, quite separate from any claim that they may have against the property at all. That has even been carried one step further, so that in respect to a person carrying on business in the building industry, the Workmen's Compensation Board is entitled to collect its claims for workmen's compensation by simply filing a certificate against the land of the person who has not paid his assessment. So that no matter which way you turn, the property is subject to all these exactions.

THE CHAIRMAN: You see, Mr. Timmins, we are not concerned with details in any of these matters. The only problem we have to consider is whether there is an undue burden of taxation on real estate. That is one of the problems we have to face.

MR. TIMMINS: But, the point I was coming to, -- and perhaps I have gone in a round about way to get to it, -- if, as a matter of fact, the burden upon real estate could be reduced by say, 50 per cent, and could be pegged by reason of the fact that the province would take over a great number of these expenses on social services, and so on, that are cast upon the municipality, in that way we feel that the ownership of real estate would again become attractive, and people would have some confidence in it; and as happened shortly after the war, when a person bought a piece of property there was always a market for it at a price somewhat near the amount paid for it. We feel that if more confidence could be placed in real estate by reason of reduction in taxation that corelative to that the unemployment in the industry would immediately be relieved; and we feel that that would be the safest and the soundest and the quickest way we would get back to -- shall I say normalcy. We feel that very keenly in the building industry because there are thousands of mechanics who have nothing to do, and

who should have employment.

" The taxation upon real estate must be further relieved. In the result this means that the basis of taxation must be broadened. The other members of the community must be enjoined to pay their share of what has previously been saddled on the property owner. We make the following recommendations for the earnest consideration of the Commission:-

- (1) That all Social services be taken over by the province;
- (2) That the province pay at least fifty per cent of the cost of primary and secondary education;
- (3) That municipal councils be given control over the financing of school boards;
- (4) That the Amusement Tax (repealed last year) be re-enacted, to be collected by the province and rebated to the municipalities, proportionately;
- (5) That the province rebate to the municipalities a proportionate share of the Gasoline Tax and the Motor Vehicles Tax. (Actually the province has been taking a profit from this source of revenue for other purposes.
- (6) That a provincial sales tax be imposed, the proceeds of which to be rebated to the municipalities proportionately. (The State of Washington have such.)
- (7) That the Municipal Act (Ontario) be amended so as to provide the municipalities with power to:
 - (a) Impose taxation on public utilities, government owned property, private schools, theatres, supervised parking lots, etc.

- (b) Impose a Poll Tax (up to \$25.00) on every man or woman between the ages of twenty-one and sixty years of age who is not a property owner, nor employed for less than six months in the year, subject to certain limitations.
- (8) That the Assessment Act be amended to provide that the revenue producing ability of a property be the dominant factor in the fixing of the assessment of same, and providing for an Appeal to the Court of Appeal, in proper cases.
- (9) That the Federal Government assume a much more equitable share of the relief cost.

This Association is firmly convinced that the ownership of homes is one of the soundest forces in the economic constitution of our country. The Home owner with a stake in the community is fundamentally a sound citizen. It indicates a serious trend that in Toronto since 1929, the percentage of homes occupied by owners themselves has depreciated 7.1%. Legislation should be passed following closely upon the report which will be issued by your Commission, to put real estate in a position where it will be profitable and economic to own same, and then we shall have a building boom, an immediate relief from many unemployment problems, and a municipal structure in which the burden of taxation is equitably distributed. "

All of which is respectfully submitted.

THE CHAIRMAN: Mr. Timmins, what is the membership of your association?

MR. TIMMINS: I would say, sir, we probably have not more than one hundred members, but they are a strong body of men. They have done a tremendous amount of building in the city, and they are interested not from any sectional standpoint but

they have been very keen in assisting in the passing of by-laws in regard to building in the City of Toronto, in respect to seeing that building is carried on in a equitable way, and in the problems pertaining to it.

THE CHAIRMAN: Thank you, Mr. Timmins, the brief will be filed as Exhibit 288.

Have you any questions Mr. St. Laurent?

MR. ST. LAURENT: Just one question. Mr. Timmins, from your experience in the building trade in Toronto, what would be the average normal number of new home units required per annum?

MR. FUGLER: I have not any figures available, and I cannot just recall the number.

MR. ST. LAURENT: Has there been any perceptible difference between the years 1929 and 1938, and normal times,, in the home building industry?

MR. FUGLER: In 1929 which was our peak year, I think our building program in the city of Toronto at that time was about \$55,000,000. Last year it was down around ten million.

MR. ST. LAURENT: Of the \$55,000,000, have you any figure that would show the approximate amount which was devoted to residential building?

MR. FUGLER: No. It varies considerably. I have no figures available, but in our association alone, -- the members in our association did about \$15,000,000 worth of residential building in that year.

MR. ST. LAURENT: In 1929?

MR. FUGLER: Yes.

MR. ST. LAURENT: And since that time what has it done?

MR. FUGLER: It has amounted to about \$2,000,000, -- not in the city of Toronto particularly, we cover Toronto and the immediate vicinity.

MR. ST. LAURENT: The Greater Toronto residential area?

MR. FUGLER: Yes.

MR. ST. LAURENT: A drop from something like \$15,000,000 to something like \$2,000,000?

MR. FUGLER: Yes, that is right.

EXHIBIT NO: 288: Brief of the Home
Builders' Association
of Toronto

THE CHAIRMAN: The next brief is that of the Ontario School Trustees and Ratepayers' Association, to be presented by Mr. F.H. Rutherford and Mr. M.A. Campbell. Mr. Rutherford, will you present the brief?

MR. RUTHERFORD: Mr. Chairman, and members of the Commission, Mr. Campbell and myself are here as representatives of the Ontario School Trustees' and Ratepayers' Association. We are asking that grants be greater, -- that a greater percentage be paid to school boards to assist in education because we will admit, as I think everyone will admit, that the best asset a boy or girl can have is a good education. If they have a good education they can go far, if they have not a good education they have a big handicap to overcome before they can go very far.

Now, I will be just as brief as I can. I will read this brief, and if I can answer any questions I will do so. If I cannot answer them, Mr. Campbell probably will be able to because, as you know, a secretary of an association is the man who can answer more questions than the president or any of the directors.

THE CHAIRMAN: More than most people can ask.

MR. RUTHERFORD: Yes. I will read from the brief.

" The Ontario School Trustees' and Ratepayers' Association was formed in 1887 and represents all types of school trustees in the province of Ontario, urban, rural and separate school. Our purpose is to consider all matters having a practical bearing on

education and the school system and to provide a medium of communication between the trustees and ratepayers and the Minister of Education and other bodies on matters pertaining to education.

The Association is divided into four sections - urban, rural, separate school and county council. The membership in these four sections represents approximately 5,000 trustees from all parts of Ontario. One annual meeting is held each year and during the year county and district meetings are conducted in all parts of the province for the purpose of informing the public in reference to the course of study, grants, schools act and regulations and securing public opinion in reference to education.

During the existence of the Association many changes in the Schools Act, Courses of Study, Attendance and Grants have taken place. Many of these changes had been advocated by our Association for a number of years before they became law.

We believe there is one outstanding principle which cannot be questioned by any thoughtful citizen in a democratic country, namely, equal educational opportunities for all children. Children have no choice as to the place of their existence up to the age of 16 nor have they the opportunity of expressing their opinions as to what they should be taught. These children will be the future citizens with the responsibility of voting, determining the industrial and professional standards and occupying the positions relative to all types of government in this province. The time is long past when one preferred class should govern and all others serve as hewers of wood and drawers of water.

We recognize education as a provincial obligation in so far as it pertains to management and control, yet, it has been recognized by the Federal Government through grants in 1913 and 1919 by voting ten million dollars to agricultural education and to technical and vocational education respectively. These two classes of training affect the national welfare of the Dominion. Canada depends upon agriculture and industry for its existence as a trading nation of the world. If through the development of the citizens of Canada production and trade can be developed Canada will advance as a part of the great Commonwealth of Nations. We believe this can only be accomplished by well trained citizens conscious of the great possibilities of our Dominion and who have a desire to produce and market the products in a systematic and effective manner. In order to do this every opportunity must be given to train all workmen."

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"The population of Canada is not confined to one or a few districts. With the opportunity of transportation from the aeroplane to the hitch hiker population moves very readily from one part of Canada to another. Thus, we believe that the Federal Government should assist in the training of youth through adult classes particularly in reference to citizenship, agriculture and technical education.

General educational facilities should be provided by the State to at least 50% of the cost. The centralization of raw material for the Province as a whole in the large centres is responsible for the every increasing wealth in those centres. It is only just that part of this wealth in the form of grants or subsidies should go back to the districts which provide the raw material."

THE CHAIRMAN: When you are referring to the raw material there, are you referring to the citizenship?

MR. RUTHERFORD: Referring to raw material as a whole, and in this case the student, the boy and girl.

THE CHAIRMAN: Yes.

MR. RUTHERFORD: And later the adult going into the city.

"The following reasons might be put forward for greater State aid toward education:

1. The movement of population from one district to another.
2. All industries require well trained men. In the past employees were trained through the apprenticeship system but now the employer has thrown this responsibility on the school.

Vocational schools are necessary at considerable cost. The grant of ten million dollars given by the Dominion Government in the past was appreciated throughout Canada. This grant was discontinued, however, before the schools were paid for resulting in a considerable burden to the local ratepayers. These grants were largely consumed in the larger centres of population and we believe the Dominion Government should assist the smaller centres of population by giving a grant to adult education, health and vocational instruction.

3. Education adds to national wealth. The production of high grade products and the necessity of business methods and proper grading of goods are necessary to establish world markets. The same principle may be applied to the workmen as it has been recognized that a well educated person is more efficient and will be a better citizen than one who has not had the advantage of a good education.

4. Medical supervision and health training will make a more healthy people. When we consider that sickness costs Canadian people around three hundred million dollars per year and when we are informed on good authority that 50% of all illness is preventable, it would be in the interests of Ontario and Canada to advance this type of education through grants and other assistance.

5. To have a more contented and satisfied people, education for spare time or leisure activities should be provided. With the increase

of labour saving equipment more time is available for study and when provision is made for adult education many will avail themselves of the opportunity.

6. A greater obligation is placed upon teachers. They require more money to prepare for their profession and also to keep in touch with world conditions through travel and reading while teaching. They are also required to take refresher courses during vacation periods thus we believe they should receive a larger salary than that paid at present. Schools in rural districts and small centres of population should be in a financial position to engage as good teachers as are engaged in the larger centres. A system of grants so devised to take care of local situations such as this would be of great benefit.
7. There is a greater obligation placed upon school boards due to the adolescent act and to the new course of study. More suitable accommodation is necessary and new buildings and equipment are required. These standards are set by the State and school boards should be assisted financially to a greater extent by the State.
8. The home has placed more and more obligations upon the school."

Now, if any of the members of the Commission have been trustees or teachers, you will appreciate that fact, because it is a fact. We find it every day.

THE CHAIRMAN: It is an unfortunate fact.

MR. RUTHERFORD: It is an unfortunate fact. Parents seem to think that the teachers should bring up the child as well as teach it. Now, I hate to say that, but I have

found it out in our schools as a fact. They seem to think the responsibility ends if they clothe them and feed them. The manners of our youngsters are not what they were when we were kiddies. They seem to leave them to the teachers. They forget there is too much automobile-running-around from place to place. That is the reason there is such poor discipline in the schools, because the parents do not teach the children discipline in the homes. The youngsters teach the parents today, as we never taught them, and they get away with it.

THE CHAIRMAN: Do you not think what you need to have is more education of the parents as to their parental responsibility?

MR. RUTHERFORD: I do, - adult education.

8. The home has placed more and more obligation upon the school. The kindergarten has become more necessary year by year as the fathers play golf and the mothers play bridge."

Is that right?

THE CHAIRMAN: There does not appear to be any dispute on it.

MR. RUTHERFORD: "School repeaters are increasing owing to the fact that parents are not assuming their proper share of responsibility in the social welfare and health of the children. The problem of discipline in the school is very largely the result of poor home training.

9. Cities and large towns draw from villages both men and wealth. Thus, small urban centres and rural districts very often train men and women who go to the larger centres. These smaller centres should have greater assistance from the State through which the general revenue is collected.

10. Educational costs have increased through unemployment which is due to national conditions. Many young people are attending school because they cannot get employment. Perhaps the time is not far distant when the Adolescent School Attendance Act will increase the age of attendance to 18 years in order that young people will not be in a position to replace older people in necessary employment.

11. Agricultural conditions are improving and more farmers' children are attending high school. Owing to the distance from secondary schools the cost of secondary education to parents has become a real problem. If equal educational opportunities are to be given students from rural centres, villages and small towns, assistance must be provided for transportation of pupils or the establishment of secondary schools."

Which is going to be the cheapest is the question. Would it be better to pay for transportation bringing pupils from the main highways, which are kept open in most counties during the winter, bringing them to the high school, or to build high schools in the smaller urban municipalities? I don't know, but I believe the transportation would be the cheaper for this reason, that in the smaller urban municipalities there are not enough pupils to attend that one school to make it possible for them to build a school that will take up all the subjects up to the senior matriculation, the cost and the upkeep and the number of teachers would be too great. I believe that transportation is our way out.

THE CHAIRMAN: How far is transportation now being

used as a means of bringing rural students to the town high schools?

MR.RUTHERFORD: The only instance I know of is in the County of Wentworth, they are using it there. And then in some cases of the consolidated schools in the township where they have the one school or perhaps three or four in a county, instead of having a dozen or more school sections.

THE CHAIRMAN: How far has the movement for the consolidated schools succeeded? Are there many consolidated schools throughout the province now?

MR.RUTHERFORD: At the present time there are 28, but it has not received the royal welcome by many boards that it should. Of course they have their own opinion. They consider if they let it be taken out of their hands and put into a large board, made a larger administrative board, that they are not going to have as much say as to the education of the children. Not realizing that the province states what you shall teach and how you shall teach it. It does seem out of the way to keep one teacher to teach a class of from one, two or three or four or five pupils. Why not close that school and join up with a school on the other side or perhaps with four or five schools, having two or three teachers in the one school and then transport the youngsters to that school? I believe it is the better way. You have only two or three school teachers then in place of four or five. But it is a hard proposition to tell one section of the township or county "You should close your school and go to the next school". It is a hard proposition to talk them into it. It is coming, it is bound to come, because when it affects the pocket book that is the time it talks.

THE CHAIRMAN: How is the cost borne in those consolidated schools, by the consolidated section, to carry on transportation?

MR.RUTHERFORD: I believe the consolidated schools got a fifty per cent grant on transportation.

THE CHAIRMAN: From the provincial government?

MR.RUTHERFORD: From the provincial government.

COMMISSIONER DAFOE: Have you provision here for municipal boards? I mean, has the community charge of the whole area and the school districts within its boundaries?

MR.RUTHERFORD: I am not sure whether that is in effect in any place or not, but I believe they have the power to organize, perhaps not the whole township, but I do not see why, if they can organize four or five sections, why they could not organize the whole township. There is provision made, as Mr.Campbell states.

THE CHAIRMAN: I am told the difficulty is the reluctance of local school boards to give up their economy and control.

MR.RUTHERFORD: I think you are right.

COMMISSIONER DAFOE: Perhaps they think the present system is more economical, they fear the larger costs of the consolidated area.

MR.RUTHERFORD: I do not know myself just what their feeling is, because it is pretty hard to get right down to rock bottom, just what the opposition is. There is opposition, it is a stiff opposition, but what it is, it is mighty hard just to place your finger on it, you see.

"The following conditions are quite evident throughout the Province.

1. Real Estate is over-burdened by direct taxation which discourages building trade and the ownership of property."

THE CHAIRMAN: We have had a good deal of evidence of that so far as it applies to the cities and rural towns, but can that be said of the rural areas? Is taxation oppressive on farm property in this province?

MR. RUTHERFORD: Yes, we have had our county equalized last year, the assessment was re-equalized, and as county clerk I find that there is a continuing feeling - You cannot say grouch, they don't grouch, - there is a continual, we will say, feeling that taxation, their land taxes, are really too high. We had quite an argument about getting our county adjusted, we even had a lawsuit over it, so you know the feeling is there that the taxes on property are too heavy.

COMMISSIONER DAFOE: What county is that?

MR. RUTHERFORD: The County of Grey. We are one of the largest areas, we have, I think it is, 1,045,799 acres, if I remember the figures correctly, and I think that is pretty close to it. And it is pretty hard, we have sixteen townships, four towns and six villages, and the towns and the villages and the townships all seem to think that the assessment is too high, that they are assessed too high. Well, if the assessment is dropped, why, your rate goes up, so what is the difference? You have got to raise the money.

THE CHAIRMAN: Perhaps it is not fair to ask you, in your official position, whether you think the complaint is well founded or not, so far as the rural areas are concerned?

MR. RUTHERFORD: I think it is just as fair to say yes to the rural as it is in the urban.

MR. CAMPBELL: Might I say a word, Mr. Chairman?

THE CHAIRMAN: Yes.

MR. CAMPBELL: I may say that I have been a farmer

all my life and I also live on the farm at the present time. I will vouch for the statement that the oppression on the rural district is really something to be considered. Our farms, the buildings on our farms and farms generally are going down in the whole province of Ontario just from the sake of the heavy taxation.

THE CHAIRMAN: Is it due to heavy taxation? I am aware that the prices of farm lands in this province have gone down very markedly in recent years. What would be the average assessment of a good 100 acre farm, with reasonably good buildings on it?

MR. CAMPBELL: I should say about \$6000.

THE CHAIRMAN: And what would be the total tax rate?

MR. CAMPBELL: It would depend on the mill rate. It varies considerably throughout the province of Ontario.

THE CHAIRMAN: When I said the tax rate I meant the mill rate. Of course it does vary in different townships. You have the county and township and school rate. What would be a fair average?

MR. RUTHERFORD: It runs from about eight to ten mills, the average county.

MR. CAMPBELL: I should think it would be higher than that. I should think about fifteen mills, the county and the township rate.

MR. RUTHERFORD: I mean the county rate, I don't know the township rate.

THE CHAIRMAN: The county and township school rate together about fifteen mills?

MR. CAMPBELL: No, if you had the school rate it would increase it. That is just the township and the county rate.

THE CHAIRMAN: What would the school rate be? About five mills or less?

MR.CAMPBELL: It would equal the county and township, it is about fifty-fifty.

COMMISSIONER DAFOE: About thirty mills then?

MR.CAMPBELL: Yes.

THE CHAIRMAN: The total rate would be about thirty mills?

MR.CAMPBELL: Yes. Of course it varies considerably.

THE CHAIRMAN: That would be \$180. on a hundred acre farm? Do the annual taxes on an average 100 acre farm amount to that much?

MR.CAMPBELL: Not in the poorer sections of the province, but in the more wealthy sections. Take Wentworth and Lincoln and the southern part of Halton.

THE CHAIRMAN: Yes, they would amount to that much there.

MR.CAMPBELL: But not in the poorer sections of the province.

THE CHAIRMAN: Well, you would not describe a good many other counties as poorer sections, would you? They may not be quite so fortunately situated as those you have mentioned, but take all Western Ontario.

MR.CAMPBELL: And Eastern Ontario too. Of course in areas of that kind they have not got the income, the income is very low.

THE CHAIRMAN: No, they have not got the income of those in the districts you have mentioned. I have a farm myself and I know the tax rate on that farm.

MR.RUTHERFORD: Perhaps you have one of the \$50,000 farms?

THE CHAIRMAN: No, it is not. I cannot afford that.

MR.RUTHERFORD: "2. Persons with capital invested in stocks, bonds and mortgages are relieved to a great extent from taxation as compared to those

who have capital invested in real estate. A report in the Press recently stated that just outside Montreal 23 business houses have a capital of 750 million dollars which is practically exempt from educational tax. Those who have invested capital in education and entered the professions have also an advantage over the persons who own real estate in that one is taxed according to tangible possessions while the other is taxed according to income.

3. Bachelors and homes without families are enjoying the benefits of the State and are relieved of the expense of raising families on which the State depends for its national existence. They should assume a greater share of the cost of education of the children of the State."

THE CHAIRMAN: What tax would you impose upon bachelors?

MR. RUTHERFORD: Have we any in the Commission? If we have, I had better keep quiet.

COMMISSIONER DAFOE: You are talking to a group that are capable of taking impartial views as to bachelors.

MR. RUTHERFORD: I would not care to set a rate on a bachelor, I don't know. The majority of us were married when perhaps we were twenty-one and right from that up to thirty-five or forty. We waited until the right girl came along, as we thought, and most of us thought right. You cannot say to a man, "If you don't get married until you are twenty-one or twenty-two or twenty-three it is going to cost you \$5, \$10, \$15 or \$25 or so every year, because he is liable to pick something up that does not agree with him the rest of his life and he would

rather have paid \$250 than have to live with it. That goes for women just as well as men.

THE CHAIRMAN: He might be willing to pay the tax. But you see you are suggesting here that bachelors and homes without families should pay a higher tax. I wondered what view your association had. What do you mean by a higher tax?

MR. RUTHERFORD: That could come under the same principle, I suppose, that we have in our poll taxes in the cities.

"Wealth is centralized in the large centres of population and is continually flowing into these centres. Equalized valuation per capita in cities is \$1,134 while equalized valuation in towns, villages and districts is around \$600. The amount of income tax paid by individuals in centres of population was \$33,320,278 while the amount paid by individuals living on the land in 1936 was \$46,609. The amount of income by corporations in rural districts in 1936 was \$56,859, while the amount of income tax paid by corporations in centres of population in 1936 was \$42,905,296."

Now, those figures were obtained from the Canada Year Book of 1937, for 1936, and you will get that information on page 870. Those facts are right there in black and white.

THE CHAIRMAN: Thank you.

MR. RUTHERFORD: It also covers this next clause too.

"5. Variation in school wealth - variation in assessment per classroom - Counties varied from \$17,594 to \$293,000". The county that I am speaking about is Haliburton, the first one, \$17,594.

and Halton is the \$293,000; and Toronto is \$505,290. In cities it varies from \$142,225, that is in Owen Sound, where I come from, and \$430,944 in Ottawa. Towns, there is a slip there, that is \$47,000, that should be \$27,809, those were two seven room schools. In Almonte it was \$27,809 and in Amherstburg, down in Essex County, it was \$247,147 per school room class.

THE CHAIRMAN: Take an assessment of \$27,000, the tax rate there must be very high to support a seven-room school.

MR. RUTHERFORD: I would say so. What the assessment in the way of mill rate is I do not know.

THE CHAIRMAN: It seems difficult to believe that the assessment in the town of Almonte should be as low as that figure.

COMMISSIONER ANGUS: Is that the total assessment or the assessment per classroom?

MR. RUTHERFORD: Per classroom.

COMMISSIONER ANGUS: So that the total assessment would be seven times that?

MR. RUTHERFORD: Yes, that is the total per classroom.

THE CHAIRMAN: I beg your pardon.

MR. RUTHERFORD: Now, in Trafalgar Township in Halton County there is a variation in assessment between two one-roomed rural schools of \$196,400 and \$805,630.

"6. There is also great variation between cities, towns and townships in relation to vocational education, health supervision, free school supplies, qualifications of teachers, building and equipment and accessibility to secondary schools. Variation in the cost per pupil in secondary schools in fifteen cities is from \$90 to \$170 in high schools and

collegiate institutes and from \$100 to \$240 in vocational schools. Variations in ten municipalities, other than cities are from \$90 to \$200 in high schools and collegiate institutes and \$120 to \$280 in vocational schools. In continuation schools there is a variation from \$70 to \$170. The value of secondary school buildings and equipment in dollars per pupil vary from \$100 to \$800 in high schools and from \$100 to \$1000 in continuation schools, and a variation between \$17 and \$600 in one district inspectorate in equipment.

7. Variation in the system of taxation. The larger urban centres have the advantage of business and corporation taxes while income is very much greater than that of smaller centres of population in the form of industries, departmental stores, chain stores, banks, gas stations, etc., In the villages and smaller towns many retired farmers have settled with a very small income and in many cases they are opposed to any heavier taxes. Some small towns are conveniently situated on a railroad thus having large industrial plants, the taxes from which also support education while the smaller towns have to depend on a direct tax levy on property."

Now, on page 4 we have what might be achieved by greater state support:

1. Equalization of teachers salaries; providing more uniform standard of teachers throughout the Province and insuring a longer term of service. It would also draw a better type of student into the teaching profession."

THE CHAIRMAN: What have you in mind in the equalization of teachers' salaries? Do you mean that the salaries should be equal in all parts of the province or do you mean there should be greater equality than exists at present?

MR. RUTHERFORD: I mean this, that in rural centres the salary runs around five or six hundred dollars. Now that is not enough for anybody to live on. The teacher has to contribute, as you know, quite a few things come along, they have to pay their board, they have to be clothed a little better than the ordinary, and in many, many rural school sections the teacher is drawing five and six hundred dollars.

THE CHAIRMAN: Mr. Rutherford, what would a teacher have to pay in one of those rural school sections for board?

MR. RUTHERFORD: Well, I don't see how she could get away without having to pay just about at least half of her salary for her board. Now, if she wishes to clothe herself and keep up to date with purchasing books and reading them and keeping up to date, then where is she going to save money to go to summer course? And at the present time the teacher has to go to a summer course. If she has not got a first-class certificate she has got to take up so many senior matriculation subjects a year, one, two or three, or whatever she can handle, to show that she is qualifying herself, that she is trying to advance. Now, the teacher teaches for 200 teaching days, she gets her two months holidays in the summer and goes to Toronto or some other centre for six weeks, taking --- what is that word they use there? -- It is a summer course, refresher course, or taking up something on the senior matriculation. My own opinion is this, that if a

girl has passed through or received her second-class certificate that is thought quite sufficient to allow that girl or that boy to teach school. They have taught school and when they have not received their final certificate they have got to go back to school or they have got to study at home and write off two or three subjects a year, they have got to go to summer course and spend five or six weeks. I don't believe in that. I believe if they would come back to the second year Normal course that they had once in a while and abolished a year or so ago, if they would bring that back and make the boy or girl take that second year Normal course, where they are getting all the same training and improving, then they are through; but having to take eight or ten subjects of senior matriculation, by taking one or two subjects a year, it is going to take some of them five or six or ten years before they get through. That is a terrible burden, a terrible strain. The teacher cannot put her best foot forward if she is studying at night, as well as trying to get her subjects up for the next day.

(Page 7275 follows)

THE CHAIRMAN: Under present regulations in Ontario, must a teacher holding a second class certificate, take matriculation?

MR. RUTHERFORD: If she has not received her permanent certificate--she has to teach for four years to receive it. Now, there will be no more second class certificates issued, last year was the last opportunity to receive it. A person has to have a first class certificate before being permitted to teach school. Those girls who graduated four years previous to this have to come up to this new standard. A teacher who has been teaching for ten or fifteen years--it would be out of the question to ask that teacher to go back to school and study again.

Quoting from the brief:

"2. Make secondary education more accessible by providing more schools or assisting in transporting pupils to school.

3. Give a better type of accommodation and equipment in smaller centres of population.

4. Permit more extensive health education and medical and dental inspection and supervision throughout the province."

I know just what that means as I have seen an example of it in the place from which I come. In that place there is medical and dental inspection. There are two nurses and a dental officer who look after the health and teeth of the children. This service costs \$1,650. a year. For this payment the dental officer makes available his office facilities, fillings, and such things as that. You would be surprised if you were to see the report of a survey which was made when we started in 1928 and the last survey which was made. The change

in the condition of the children's teeth and general health was remarkable.

MR. CAMPBELL: I might say, sir, that it is estimated that 95 per cent of the children in urban centres have these medical services while only 7 per cent have them in the rural centres.

MR. RUTHERFORD: Quoting from the brief:

"5. Encourage adult education through night classes, study groups and short courses in agriculture and industry."

If the grants were made larger for consolidated schools, it would help. Take the different sections and say, "We will give you a larger grant, more than the four or five schools would receive separately, if you will get together." I believe that consolidated schools will come.

Continuing to quote;

"7. Develop our training schools and bring them more up to date and more efficient and perhaps provide for a second year Normal course in at least one centre in each province where teachers may attend a second year and be relieved of summer courses and second year university work. It might also provide better training centres for the training of vocational teachers. At present in Ontario there is only one school."

I believe that school is the training school in Hamilton.

Quoting from the brief:

"8. More and better supervision of schools through an increase in the inspectorial staff of our schools.

9. Advertise education as a national asset to

"all people. If this were done there would be greater interest in education and more boys and girls would have a desire for further knowledge.

10. Encourage school libraries through the establishment of a circulating system within districts where library facilities may be enjoyed by all. "

Now, there are two or three little notes which I have jotted down.

THE CHAIRMAN: Before you continue with those points which you have in mind, I would like to ask a question concerning number ten. What is the present provision for libraries in rural schools?

MR. RUTHERFORD: There is a very small grant made for school libraries. It does not amount to a great deal, but it is for the purchase of school books for children's supplementary reading. It is not our desire to just have school libraries, but to have a circulating system in order that there would be books for adults to read and not just for pupils. It must be very hard, I guess--I do not know as I never went through the experience--but I imagine it is very hard for a person not to have a circulating library near at hand. A person has to go to a city or town and have someone identify him and have that person stand good for the books which might not be returned. It would be necessary to go five or six miles in order to secure a book, and then it would depend on whether the library board gave permission to do it. We would like to see circulating libraries in every township.

THE CHAIRMAN: Are there no circulating libraries at all in the counties at the present time?

MR. CAMPBELL: There are some in Lampton county and I believe Simcoe county has just started one.

THE CHAIRMAN: Are those started by the county. Who

is responsible for starting those circulating libraries?

MR. RUTHERFORD: I could not answer that question.

MR. CAMPBELL: It is done as a matter of cooperation between the inspectors of the schools and the local library board.

THE CHAIRMAN: I was under the impression that there were provisions whereby it might be developed. What is the difficulty in developing that system throughout the province, Mr. Campbell?

MR. CAMPBELL: I think it is largely a matter of cost. The school board, where a circulating library is in operation, is asked to provide so many books. There is great difficulty for many of these school boards to provide the money necessary to do this. It is a matter of cost.

DR. RUTHERFORD: I have jotted down a few questions which I expected to be asked. The first one is, "Where is the money going to come from?"

THE CHAIRMAN: That is a very good question to answer.

COMMISSIONER DATOE: It is a very live issue.

DR. RUTHERFORD: I anticipated that such a question would be asked me as soon as I finished presenting the brief, so I thought I had better make an answer before the question was asked. There are many luxury taxes imposed by the provincial government and the Dominion government could put on a general sales tax.

THE CHAIRMAN: The Dominion has a general sales tax now, of eight per cent.

DR. RUTHERFORD: Yes, but it could be made ten per cent. There is another thing which the Dominion government could do. This is the only country in the world, I believe, having canals and not imposing a charge upon boats for passage through the canal. A sort of tonnage tax could be imposed. In this country we seem to be always

on the giving end of it, not the "gimme" end of it.

That is what we are here for to-day, "The gimme". A tax might be imposed on the export of raw material such as pulpwood and nickel. This is the only country in the world in which nickel is found. Why let it go out of the country without being manufactured? Why not keep that raw material in our own country and manufacture it here? If export of this material is permitted in the raw state, then that privilege should be taxed. If it were manufactured here, it would establish an industry here in which a great many men might be put to work. Practically the same thing applies to our pulpwood. Our pulpwood is going to the United States and the United States has large paper mills. In this country we find the greatest difficulty in keeping the paper mills operating.

Then there is the amusement tax which was cut off. This was a small tax. The income tax has been taken away from the municipality. If a certain tax were put on, or the sum of the present tax enlarged, the government could say that a certain percentage of that tax was to be earmarked for educational purposes. This would be for education, no matter what else you want to do with the remainder of the tax. This five, ten or fifteen per cent would be for education. In this manner, everyone would be paying for education. You know, there are a great deal of people who say, "My boy is educated, why should I pay for my neighbour's boy who is just starting his education?" A good many people seem to forget that somebody else helped to pay for their children to be educated. I do not know whether this attitude is due to "pure cussedness" or to what it is due.

THE CHAIRMAN: It might be the original sin.

MR. RUTHERFORD: That was before my time. I wish to thank you and your Commission for your kind hearing. I sincerely hope that, as you appreciate education--you are where you are to-day because you had an education. If there is any possible recommendation which you can honestly bring before your government which will help the vast majority of coming citizens, I know that you will make that recommendation. Education, as I said before, is something which should be within the reach of every boy and girl. It should not be something which is reserved for the children of the people who are financially able to send their children to University. What is the percentage of pupils who go to university to-day after leaving high school? Less than ten per cent continue on to university. Surely there ought to be some adequate means--even if a fund were created from which a boy, who wanted to go to university, could borrow money on his future. There are a great many boys who would do it. No interest should be charged on this amount and the boy should be permitted to pay it back out of future earnings. I never had a university education, but I hope the good Lord will permit me to send some of my children to university.

THE CHAIRMAN: Thank you very much, Mr. Rutherford. It is a very interesting and important subject which you have presented to us in a very clear and forcible manner.

COMMISSIONER ANGUS: Mr. Rutherford, what is the view of your association as to the suggestion made before us yesterday that municipal counties should have control of the school boards?

MR. RUTHERFORD: No, absolutely no; I have been mixed up in municipal affairs and school board affairs for

over a quarter of a century. I know what it is for the school board to have to get down on its knees and coax a city council or township council for money for educational purposes. Do not do it!

THE CHAIRMAN: We will mark that brief as exhibit number 289.

EXHIBIT NO. 289: Brief of the
Ontario School
Trustees and Rate-
payers Association.

THE CHAIRMAN: The next brief to be presented is that of the Mutual Fire Underwriters Association of Ontario. Mr. W. K. Cross, secretary, will present the brief with Mr. A. L. Easton, and Mr. W. J. Guardhouse.

SUBMISSION BY

THE MUTUAL FIRE UNDERWRITERS' ASSOCIATION
OF ONTARIO

MR. W. K. CROSS, secretary, was called.

MR. CROSS: Honourable Mr. Rowell, and Members of the Commission: It will be a slight change for you in the presentation of this brief, especially after the last speaker, although we too, are farmers, for in this case we are not asking you for something. I might say, before presenting the brief, that we have tried, in making this presentation to you, to state in a few words, who we are, what we represent in the provincial setup, and after telling you who we are and what we think about the setup as it is, why we think so.

THE CHAIRMAN: That is quite a logical way of dealing with it.

MR. CROSS: We are definitely satisfied with things as they are and that may be an odd attitude to bring before you, but it is our attitude. I will now proceed with the reading of the brief:

"This submission is made by the Mutual Fire Underwriters' Association of Ontario, an organization formed in 1883 among purely mutual insurers operating in Ontario on the premium note plan. The association consists of 67 farmers' mutual companies, of which 65 write fire insurance and 2 write weather insurance. It is estimated that the \$542,000,000 of fire insurance carried by these companies covers approximately 80 per cent of the insured farm property in Ontario, and that the \$33,000,000 of insurance in force in the 2 farmers' mutual weather companies represents about 35 per cent of the weather insurance on Ontario farm property. Over 197,000 Ontario farmers are members of these companies.

The so-called farmers' mutual fire companies are dotted throughout southern Ontario, almost county for county in numbers. The oldest is eighty-two years old;"

I might say just here that it is my honour to represent that company.

THE CHAIRMAN: You did not start with it though, I suppose?

MR. CROSS: No, I did not. I said it was my honour to represent it now.

Continuing to quote:

"--the youngest, twenty-eight years. The companies are entirely mutual in character. They are officered and directed by their own farmer members exclusively. They were organized by farmers, they are managed by farmers, and they have only one purpose to serve, namely, to provide their farmer members with sound fire insurance

"protection at minimum cost. They constitute the oldest and most successful cooperative undertaking established by the farmers of this province, with a record of over three-quarters of a century of fire insurance service to rural Ontario without a single failure to pay a just claim or any other public liability.

The cost of the average \$100 of insurance to the members of the farmers' mutuals was 30.5 cents in 1937, as compared to an estimated 40 cents, 45 cents and 60 cents in other classes of insurers of farm property. In one company the 1937 rate was 10 cents per \$100 of insurance, and there were others with rates of 15 cents and 20 cents. At the end of 1937 surpluses aggregating \$2,415,000 were on hand to provide immediate security to policyholders, to stabilize current low rates against possible future recurrence of adverse loss experience, and in some cases to justify further rate reductions in 1938. It should be particularly noted that comparatively moderate fire insurance rates are available to all classes of agricultural risks in the farmers' mutuals, whereas in other insurers the more hazardous classes of farm risks, if accepted at all, are written only at prohibitive rates. In other words, the less prosperous farmers of this province have in these companies an unique insurance service not otherwise available.

Two outstanding features of the operation of the farmers' mutuals have made their successful record of low-cost rural fire insurance possible--local supervision of underwriting, and a minimum

"of management expense. Most of the companies operate in limited local areas, where the directors are familiar with each risk accepted--the result being that they have prospered on low rates where other insurers lost money on higher rates. Furthermore, there is a substantial saving in management costs in this class of insurer. Out of each dollar of premium paid in by members of the farmers' mutuals in 1937, only 18.2 cents was required for management expenses (agents' commissions, office expenses, salaries, and adjustment expenses, etc.) This compares with an estimated 45 cents and 50 cents for management expenses (not including adjustment expenses) in other classes of insurers. While the farmers' mutuals are not money-makers for their agents and officers, they have been money-savers for the farmers of Ontario.

Farmers' mutual insurance as outlined above has been entirely a provincial development."

I stress that point.

"The older companies were organized under various statutes of Upper Canada and of Ontario 'respecting mutual fire insurance companies' which set out the simple basic principles of this form of insurance. At the present time, a considerable number of sections of the Insurance Act, Revised Statutes of Ontario, 1937, Chapter 256, and of the Companies Act (Part XVI) Revised Statutes of Ontario, 1937 chapter 251, apply only to insurers of this class, and provide many of the safeguards which have established the usefulness and stability of farmers' mutual insurance. By reason of the local nature of the business of this type of

"this type of insurer, the provincial legislature is in closer touch with the situation than the Dominion Parliament,--"

That brings me to my point.

--and has proved to be particularly well adapted to give such legislative attention to farmers' mutual insurance matters as has been required.

From its inception in 1879, the Ontario Department of Insurance has fostered the unique service rendered to rural Ontario by the farmers' mutuals. Most of the statutory provisions which have proved to be so satisfactory over a long term of years were worked out and recommended by the various Ontario Superintendents of Insurance, in cooperation with the companies, and the relationship between the farmers' mutuals and the Ontario Department of Insurance has always been particularly happy and effective.

The sole contribution of the farmers' mutuals to the revenue of the Ontario Department of Insurance consists of license fees, which in 1937 amounted to \$5,275 and has varied little from that figure for many years. The companies receive from the department services which are estimated to involve an expenditure of \$6,000 annually. Some of these services include: inspection of the records and affairs of each company within a two year period, and more frequently in some cases as circumstances require."

The provincial department makes a call on each of our departments every two years.

THE CHAIRMAN: You mean a genuine inspection of the

accounts and records, is made?

MR. CROSS: It is, sir, but I would not like to leave the impression that an audit of the affairs of the companies is made. Each of the companies has its own auditor and it is the auditor's statement--it is the general condition of the company, that is whether or not the company is presenting its position accurately to its members in which the department is more interested. To continue with the brief:

"--improvement and standardization of underwriting practices; checking and advising re application, policy and other forms in use; education in improved bookkeeping--"

That is no reflection on the secretary as it was suggested at the outset that the most of us are farmers.

Continuing to quote:

"--checking Annual Statements to Members; tabulating statements and experience of companies in report of superintendent; minimizing competition among neighbour companies; attendance of department representatives at Board meetings and annual meetings of companies, and at the twelve or more group meetings held each year and the annual convention of the association; promotion of fire prevention work; and general advice and assistance in matters of company management, such as rate adjustments, difficult loss settlements, and proper carrying out of statutory requirements and provisions. In recent years an inspector has been assigned full-time to the farmers' mutuals, and through him the Department has given them assistance and service considerably beyond

"a strict interpretation of its statutory responsibilities."

Returning to the question of competition--naturally operating as our companies do, we could not afford to have competition of any kind between neighbouring companies.

THE CHAIRMAN: The mutual in one county will insure a farm building in another county, will it not?

MR. CROSS: There are no hard and fast boundaries, but generally a company does business within its own limits. If a farmer desires to come over into another county, when there is a mutual in his county, there is generally something wrong. He is generally not a good neighbour.

THE CHAIRMAN: How many counties have mutuals?

MR. CROSS: There are 67 companies.

THE CHAIRMAN: There is more than one company in some counties, then?

MR. CROSS: In the county in which I am situated, we have three. One is a larger company which does not adhere to the county strictly and the other two companies were originally one company. In view of the fact that some of the members wanted to change the place of the head office to another part of the county, there was a split.

THE CHAIRMAN: They agreed to disagree, I suppose?

MR. CROSS: Both companies have been reasonably successful since that time. The gentleman on my left is secretary of the neighbouring company, so you can see that we do, at least, agree. Now, coming to the Ontario Fire Marshal's office.

Quoting from the brief:

"The Ontario Fire Marshal's office has likewise

"contributed materially to the success of farmers' mutual insurance in this province, in a manner particularly adapted to the needs of farm fire insurance. By minimizing rural fire waste through fire prevention education and inspection, as well as the administration of the Ontario Lightning Rod Act--"

THE CHAIRMAN: Do the insurance rates vary, Mr. Cross, according to whether lightning rods are maintained or not?

MR. CROSS: Yes, the rates do vary. It is not a very large reduction for a rodded building, something like five cents per hundred, I think.

THE CHAIRMAN: You have faith in lightning rods, then?

MR. CROSS: Yes, we do, if they are properly installed according to the Lightning Rod Act.

Continuing to quote:

"--and particularly through investigation of questionable fires and prosecution of arson cases, the Ontario Fire Marshal and his staff have been an efficient aid in keeping the loss costs of the farmers' mutuals down to a point which has made their low rates possible. Special investigation of threshing fires--"

I might say that is a class of fire which is more peculiar to Ontario than any other part of the Dominion. The reason for this has not been ascertained, but we are endeavouring to find it.

Continuing to quote:

"Special investigation of threshing fires(a class of farm fire more prevalent in Ontario than elsewhere) in recent years is an example of the

"kind of useful service being received from the provincial Fire Marshal's office which might not be available with equal effectiveness from an office with Dominion-wide jurisdiction, which could not be as familiar with local conditions.

The only contribution of the farmers' mutuals to the revenue of the Ontario Fire Marshal's office is the Fire Marshal Tax, consisting of one-third of one per centum of their net premium income. It amounted to \$5,471.24 in 1937."

(Page 7,300 follows)

MR. CROSS: You will notice in direct opposition to the last speaker, the contribution that we are making, -- we are satisfied with it, we believe we are getting our money's worth.

" On the other hand, these companies, through investigation of farm fires and other services, accounted for over \$8,000 of the 1937 expenditures of the Office of the Fire Marshal."

On page 6 is the motion which we wish to bring to your attention.

" In view of the existing situation as set out above, the sixty-seven member companies of the Mutual Fire Underwriters' Association of Ontario submit that local administration and supervision is essential to the continued progress of farmers' mutual insurance, and strongly recommend that, so far as the companies of this Association are concerned, the present provincial jurisdiction be maintained. The Association formally expressed this view at its Annual Convention in Toronto on 16th March, 1938, by unanimously adopting the following resolution:

'THAT THE FARMERS' MUTUAL INSURANCE COMPANIES OF ONTARIO ARE ABSOLUTELY OPPOSED TO ANY CHANGE FROM THE PRESENT PROVINCIAL SYSTEM OF INSURANCE SUPERVISION, TAXATION, AND OPERATION OF THE FIRE MARSHAL'S OFFICE.'

All of which is respectfully submitted."

THE CHAIRMAN: Mr. Cross, to what extent have these Farmers' Mutuals been developed in other provinces, can you tell us?

MR. CROSS: I believe, sir, in Quebec the parish mutuals are developed along much the same lines as in Ontario, and I

believe that in the Maritimes they have not made the progress that we have. In the western provinces, I think, there are a couple of large companies there which have the major portion of the business. I submit, of course, that this is purely a provincial affair.

THE CHAIRMAN: We are very glad to have your submission, Mr. Cross, and we thank you for it. It will receive the careful consideration of the Commission, and the brief will be marked Exhibit No. 290.

EXHIBIT NO. 290: Brief of Mutual Fire Underwriters' Association of Ontario.

THE CHAIRMAN: Is there anything you wish to add, Mr. Easton?

MR. EASTON: I do not know that there is a great deal I can say which would add to it. I have been connected with the Farmers' Mutual for about twenty-five years, as a director for nine years of the Ayr Farmers' Mutual, which operates through the Western part of Ontario, through the County of Oxford, and I have been secretary for the last sixteen years. During that time there has been a splendid feeling of cooperation between the Department of Insurance in Toronto and the Fire Marshal's office, with the Farmers' Mutual. This has grown to be something worth while. We have a splendid feeling of cooperation, and we would feel badly to see it disturbed in any way. Toronto is nearer to us than Ottawa, and naturally, the nearer home you can keep the supervision and control of our companies the more efficient the supervision is likely to be. We are in closer touch, and I do not think that any improvement could be made on the present situation. I am strongly in favour of keeping it as it is.

THE CHAIRMAN: The next is the Ontario Teachers' Council, Mr. Noseworthy will introduce the delegation and

the brief will be presented by Mr. W.E. Hanna.

MR. NOSEWORTHY: Mr. Chairman, I want to introduce the Committee from the Ontario Teachers' Council. Miss Thomas is Chairman of a Committee appointed by that Council to prepare the brief which is being presented to you this morning. Miss Carr is Secretary of the Public School Women Teachers of Ontario, and is also a member of that Committee. Mr. Hanna, who will present the brief to you, is principal of one of the Toronto Collegiates, and he has been chosen to present the brief. The Ontario Teachers' Council, I might say, represents high school and public school teachers of the province.

MR. HANNA: Honourable Mr. Rowell, and members of the Commission, I just wish to draw attention to some of the matters included in our brief. You have the brief before you, and it would take too much time to read it all. On the first page I think we have the heart of our request; that is, for a Dominion subsidy specially earmarked for education, to be given to each province on the basis of need. We make that request because we believe, as we say on page 1, that education is a matter of national importance. Up to the present time the federal government has given very little attention to education. We believe that the time has come when a very great deal of attention should be given by the Federal Government, and a great deal of money, to support education throughout the Dominion. It is true that in all our schools we may, in our teaching, teach tolerance and good will, and in that way help national unity, but there are so many forces at the present time, strong, numerous, tending to divide our nation, that we believe we should use the forces of education in a very direct way to help unite our country.

We believe that there should be an education office of some sort in Ottawa; an education bureau or an education

council or a research council which would be the centre, in Canada, of certain educational effort. It would be a spring, -- shall we say, -- an educational spring from which streams would go out to all parts of Canada. Now, we feel that very, very strongly, -- that this central bureau is needed, and a large grant should be given to the provinces to assist them in increased educational effort. That is the main claim we make at the present time.

THE CHAIRMAN: Mr. Hanna, you say, "earmarked for education". Why do you suggest it is necessary to earmark it for education? If the financial relationship between the Dominion and the province were readjusted on a basis which would enable the province to make larger grants to education, should not the province itself determine the amount that should be expended for that purpose?

MR. HANNA: Well, we do not in any way wish to suggest any infringement of the complete control of education by the province, but we feel that if the amount were an unconditional amount, not specially earmarked, that it might result in a lessening provincial effort for education; the money given by the Dominion Government might be applied to take care of some services now given by the province. Anything we suggest is additional to what is now being given by the province, -- an extra amount specially earmarked for education. The manner of allotting that money in the province would be determined by the provincial educational authorities.

THE CHAIRMAN: What measure of supervision should be exercised by the Dominion in order to see that the money was not diverted to another use?

MR. HANNA: I think there should be an audit; the province should naturally expect that there should be an audit, to see that the money was legally, honestly, and

efficiently applied to the purpose for which the Dominion gave it. That should be provided in any act setting up a grant, I feel.

THE CHAIRMAN: You of course appreciate that any suggestion the Dominion might exercise any control over the question of education might raise quite serious difficulties?

MR. HANNA: That is an important consideration which we have considered thoroughly, and the experience we have to go by is, shall we say, the United States' experience, where the general set up is somewhat similar to that here. There, large sums of money have been granted over a period of years, through their Bureau of Education, without in any way infringing on the autonomy of the State Educational Authorities. A week ago I was in Washington, and asked that question very definitely and pointedly of a member of the National Educational Association, and he assured me there was no friction with regard to the distribution of the money and the Federal control.

THE CHAIRMAN: What is the basis on which the Federal Grants are made in the United States?

MR. HANNA: The money granted in the United States has been chiefly for vocational education. They have an important education office which is, shall we say, for the purpose of promotion and information and leadership, but the money applied by that education office goes solely for vocational training in the different States. In recent years there has been some money given to agriculture and health and welfare services, - \$22,000,000 have been given over a period of years, each year, to assist the States in vocational education, somewhat similar to the Grants given by our Federal Government some years ago to our Provinces.

COMMISSIONER DAFOE: All the Grants are earmarked for specific purposes, not only for education in the large, but education along particular channels.

MR. HANNA: In the United States that has been the case up to the present. Right now there is a Bill which is being considered, and which was introduced a week ago in the United States Senate, - I shall be pleased to let you have a copy of that bill, - which definitely plans for the spending of sums of money over a period of six years, up to \$190,000,000, at the end of the six year period, and those sums of money go beyond the present Grants, and are for a number of other purposes than vocational training. For example, there will be money granted, according to this Bill, for teacher training; for construction of school buildings; for adult education; and for youth programmes of different kinds.

THE CHAIRMAN: Was that Bill introduced to give effect to the report of the President's Advisory Committee on Education, which was presented to Congress about two months ago?

MR. HANNA: If you compare the summary of the report which you have in your hand, Mr. Chairman, with the Bill which you also have, you will find that the Bill follows very very closely the President's Report. The amounts in the Bill are the same amounts mentioned by the President's Advisory Committee. The purposes for which the money will be applied are the same purposes for which the President's Advisory Committee recommended those amounts.

THE CHAIRMAN: Is this new Bill an Administration Bill?

MR. HANNA: Not exactly in the sense it would be here. It was introduced by Senator Harrison a week ago. It is, shall we say, a direct answer to the President's objection to a Bill a year ago. The President objected a year ago to a Bill presented, - the Harrison, Black, Fletcher, Bill, and it was withdrawn at that time, and the President's Advisory Committee was set up. It brought in this Report,

and this present Bill incorporates the suggestions of that Committee, which have met with the President's approval. All the Officers who are interested in this particular Bill, - educational authorities that I have consulted, feel that there is every prospect that the Bill will become Law, That is the feeling at the present time in Washington.

That is the main wish we have, that your Commission will recommend that there should be a large annual Grant, specially earmarked, given to each Province, and that there should be some organization set up which would take care of the promotion of education and the linking together of the educational effort of all the Provinces, in order to unite our Country.

THE CHAIRMAN: There is this difference between your suggestion and the practice in the United States; you suggest that the Grant be earmarked for education only, whereas the United States practice, and the proposed Bill, as I understand it, specifies the particular educational purpose to which the money is to be applied?

MR. HANNA: Yes.

MISS THOMAS: If I might answer that point, only half the Grants, - the proposed Grants are left general in the new Bill. If I might call your attention to the table on page 13 of the Brief, there is a summary of the proposed Grants. For instance, the Grant for next year totals \$70,000,000 of which \$40,000,000 is left unallotted to special purposes, it is just general aid to elementary and secondary education, and as the years go on the proportion of money left generally for the cost of education increases, so that in 1944 it is \$140,000,000 out of \$199,000,000. So that really the principle of our proposal, and the principle of the new Bill, is not, I think, radically different.

(page 7310 follows)

MR.HANNA : It is the principle for which we contend, sir. The details would require very careful study. The president appointed a very representative committee which gave considerable time in the preparation of its report, and possibly some similar committee might be needed now to go into the matter thoroughly, as to the details. But we do stand on the principle that there should be large grants given by the federal government for education.

COMMISSIONER DAFOE: How would they decide as between the States? Have they a weighted formula down there?

MR.HANNA: They have. They have quite a thorough formula for determining the grant to each state. They have there a commissioner of education who is attached to the Department of the Interior and it is he who shall determine the educational need of each state. Then they have the secretary of the treasury who determines the financial ability of each state, its income, its wealth, the retail sales in the state, the total population, rural and urban, and so on. Then, they take a proportion, sixty-five percent of the total financial ability of each state and subtract that from the educational need and the balance is the amount the state would get. But they have a very thorough plan for allotting the amounts to the states that need the money. It is a form of weighting of the grant.

On page 1 we have that main contention and on page 4 the matter is further developed, about the middle of page 4 you will notice a paragraph which begins:

"In Canada too, federal aid is needed to prevent the level of educational service from sinking below the minimum necessary for the preservation of democratic institutions."

and we quote the president of the Canadian Education Association who said two years ago that

".... to emphasize the national importance of education with a view to obtaining from the federal government financial aid without restriction."

We quote also the Honourable Albert Matthews, the present Lieutenant-Governor of Ontario in his address before the Canadian Manufacturers' Association last summer, called attention to the disintegrating factors in the national life of our country and intimated that our nine educational systems were not functioning in the interests of a Canadian unity.

"We on our part maintain that the federal Government could render no greater service to the cause of Canadian unity, than that of undertaking in co-operation with the provincial Departments of Education, the establishment in every province of an adequate programme of educational opportunity."

That then, sir, is the main claim that we would put forward.

On page 5 we discuss the problem of education and employment.

"The problem of finding employment for young people, being dependent on conditions in trade and commerce, falls within the scope of the federal government."

And we feel, as we say, in the next paragraph:

"that all across Canada there are thousands of children for whom the educational system as now constructed in the different provinces, offers no type of experience which might eventually prepare them for work."

We are thinking there of children who leave school in the sixth, seventh and eighth grades without adequate preparation for their life and they become unemployed and unemployable, and an adequate system of education would reduce, we feel, the number of unemployables among our youth.

THE CHAIRMAN: Take that class, what have you in mind as to the adequate system of education, Mr. Hanna?

MR. HANNA: I am inclined to feel, sir, that something along what is being introduced in Ontario in our elementary grades may be the answer. At the present time Ontario is just trying, for the first year, a new curriculum in its elementary grades, one to six, and there will be a new curriculum for grades seven and eight. I am very hopeful that this new type of curriculum will better prepare the boys and girls who would leave by the sixth or seventh or eighth grade, some of them fifteen or sixteen years of age by that time. I feel that new course would prepare them better.

THE CHAIRMAN: What is the distinguishing feature of the new course from the course provided up to the present time.

MR. HANNA: This is of course not my field, the elementary field, but roughly, I would say this, that the old course has emphasized factual knowledge. It has been a more rigid course. It has appealed less to the interests of pupils than does the present course. The present course aims to develop interests which will continue after school, in good literature, in music, in art, in different cultural sides of life that will enrich their life after they leave school. But I might say at this point that this new course will be a much more expensive course to carry on. It requires more books,

more working material in art, it requires records for music and gramophone, and supplies of all sorts are needed for the new course that were not needed in the old course. So more money will be needed. The same applies to the secondary school curriculum which is now being revised. More money is going to be needed for the new subjects introduced, such as art and music where there is now emphasis. Gramophones will be needed, records will be needed, radios will be needed. At the present time Ontario is sadly behind, shall we say, England, the United States, other Dominions of the Empire, in the use of the radio, of the sound machine and of the silent films; but these all cost money and an extra grant might help.

Then of course the new course; emphasizes more than the old, manual work, handwork. That is being introduced now into high schools where it was not before and that makes a real appeal to boys that were not interested in the ordinary academic subjects and it is, we find, a very useful and practicable subject that the public will appreciate and is increasingly going to demand.

THE CHAIRMAN: Thank you.

MR.HANNA: We feel then that education, the higher standards of education, would reduce the number of unemployables.

COMMISSIONER DAFOE: That second paragraph under education and employment points out that a very large number of children drop out of grade six, seven or eight. They have, of course, nothing in the way of vocational training of any kind which would be apt to help them in getting jobs?

MR.HANNA: At the present time practically nothing.

A little manual work, shall we say, in grade seven and eight. The new course, I feel, will develop interest which will be useful in enriching their lives, but there would be no vocational training, as such, in those earlier grades.

MR. NOSEWORTHY: I might say, sir, there we have reference particularly to the children of lower mentality type. The child who leaves school at fourteen or sixteen and has only reached grades six, seven and eight, in the public school is, we feel, certainly one type of child who should be taken care of in the school to prevent his becoming unemployable in later life. There is a whole cross-section of our school population in that group for whom, up to the present, very little has ever been done.

COMMISSIONER DAFOE: Can you do anything worth while for them if they leave school, say, at the end of grade seven?

MR. NOSEWORTHY: Our feeling is if they were taken at an earlier age and encouraged in the subjects in which they are interested, rather than in what has hitherto been the regular course of study, they could be directed in the fields of activity where they would become useful citizens. That is being done, for instance, in Toronto. Toronto has one or more special schools for that particular type of boy and girl, and they are producing out of those people relatively good, useful citizens.

COMMISSIONER DAFOE: Do you find resistance on the part of the parents of those children to being deflected into those particular schools?

MR. NOSEWORTHY: There is not, as a matter of fact, in the schools in Toronto. They have always a considerable

waiting list for their schools.

COMMISSIONER DAFOE: The social influence does not operate?

MR.NOSEWORTHY: Apparently not to any great extent. I think any parent whose boy has not got past grade six, seven and eight in public school by the time he has reached fourteen or sixteen must recognize that that boy is not equipped to follow the ordinary academic course of study.

THE CHAIRMAN: Thank you.

MR.HANNA: On page 6, the closing paragraph, we might notice particularly it says that what we are asking here is along the line of what has been done to some extent already:

"By its grants to vocational education, to agricultural education and to the Dominion-Provincial Youth Training Plan the federal government has already recognized that this problem of training the non-academic child is national in its scope. Only increased federal aid in some form will permit the solution of so widespread and complex a situation."

And we believe that there should be more coordination between the various agencies attempting to meet this problem of Youth Rehabilitation.

"We suggest that a Bureau of Research in the Social Sciences maintained by the federal government might well point out how the educational machinery could be made to function most effectively in co-operation with the Health Department, the Government Employment Service, the Dominion-Provincial Youth Training Plan of the Department of Labour and such private organizations as the Y.M.C.A and the Y.W.C.A.

We believe we are justified in asking for increased federal aid to education in order to help solve the problem of unemployment."

Then, coming to the next part of the brief.

"We submit further, that Canadian agriculture, agricultural areas, a matter of national concern, would benefit greatly from improved educational facilities in rural areas. This improvement will require expenditure for higher salaries for teachers, better buildings and equipment, and some experiments in the field of adult education. The problem is particularly acute in rural areas."

You have already had that presented to you this morning, the need of rural areas for greater financial assistance.

On page 7 we point out what was pointed out this morning too, and we need not labour the point, the unequal educational opportunities in not only rural areas but also urban areas. We do not need to emphasize that. You have had that matter drawn to your attention already.

COMMISSIONER DAFOE: How do you propose to adjust that? Are you thinking along the lines of central control, the appointment of teachers as they have them in Australia?

MR. HANNA: No, we are not suggesting that in our brief, sir. I do not know that we are ready for as much central control as that would indicate. As you know, there are conflicting opinions, a movement towards centralization, and certain opposition to that in the province itself. The local areas frequently resent the central control and I think at the present time would object to very much more central control.

COMMISSIONER DAFOE: Even if they got better teachers?

MR.HANNA: No, the local municipalities would fall in line, I am confident, if they were convinced that increased central control would result in better teachers, in better schools. The local areas would fall in line, I am confident of that.

THE CHAIRMAN: At the present time are not the Ontario Government's grants to public schools based in part, at least, on the qualifications of the teacher and the efficiency, and the character of the school building, and so on? Are not higher grants made for the more efficient schools?

MR.HANNA: Yes, to a certain extent. I am not conversant fully with the basis of the grants, but the difference is, I was going to say, infinitesimal, it is not great in any particular case, and the conditions would have to be very glaring for any real difference in grants to be made.

MISS THOMAS : Mr.Chairman, we are asking chiefly that a change be made in the division of financing of the costs of education. At present the provincial government in Ontario does not bear more than fifteen per cent of the costs of education, and in many cases a good deal less. If the province or if some central government bore about 50% it would result in a much better equalized educational system throughout the province.

The policy of the Department of Education of Ontario for a number of years has been to de-centralize control, the local teacher and the local school is assuming a great deal more of the control of education than it did in past years.

THE CHAIRMAN: Has not an effort been made by the Department of Education to improve both the standard of

teaching and the quality of the buildings and equipment in schools in rural Ontario by reason of increased grants?

MR.NOSEWORTHY: That is true, Mr.Chairman, but this year, for instance, the grants are increased considerably, I think we have about one and a quarter million dollars more than last year, but even at that the grant is such a small part of the total cost of education, that a board finds itself much more financially obligated by hiring and paying better, higher-priced teachers, putting up a better building. While it may get a certain fractional increase in its government grant it must, at the same time, increase its own expenditure much more than the grant is increased.

(Page 7320 follows)

THE CHAIRMAN: It is not a situation to induce the change, is it?

MR. NOSEWORTHY: That is the whole point, it is not large enough at the present time.

COMMISSIONER DAFOE: You believe that if a larger grant was made to the individual school districts, these districts would attend to the matter of hiring better teachers.

MR. NOSEWORTHY: I think that is quite true. I think the trustees throughout Ontario, generally speaking are very anxious to improve the educational opportunities of the rural children. It is because such a huge percentage of the amount has to come out of the farmer's pocket by way of direct taxation, that it seems to hurt.

MR. HANNA: We point this out, if you will notice, on page seven. Following the table on page seven, I read:

"As this table shows, rural Ontario has felt the pinch of economic pressure on its schools even more than urban Ontario. Its population is large, its financial resources small.

If these glaring inequalities in educational opportunity are to be remedied, two changes are desirable in our present system of financing education:

(a) that the provincial governments bear a much greater share, possibly fifty per cent of the cost of education."

THE CHAIRMAN: Approximately how much would 50 per cent of the total educational cost of the province be? How much does the province contribute?

MR. NOSEWORTHY: Roughly speaking, between \$50,000,000 and \$60,000,000, that is for Canada.

THE CHAIRMAN: The amount for the province of Ontario

would be what?

MR. HANNA: Perhaps I might find that in the minister's report.

THE CHAIRMAN: What I am interested in finding out is, how much money is involved in your suggestion?

MR. HANNA: On page eleven of our brief, in the appendix, the amount of money expended for elementary and secondary school education is shown. This is by Maxwell A. Cameron, Ontario College of Education. The total in 1933 was something over \$40,000,000. I could not say what the amount would be for 1934, '35, or '36. It is difficult to get these figures.

COMMISSIONER DAFOE: Are the grants included in that school expenditure?

MR. HANNA: Oh yes, that would be the total educational expenditure.

THE CHAIRMAN: It would involve a very large expenditure by the provincial government to bring it up to 50 per cent.

MR. HANNA: It would, there is no doubt about that. We state, further, on page seven, that the federal government should lend aid in some form so that the provinces would be able to afford this greater share of the cost of education.

COMMISSIONER ANGUS: On page seven, under A, are you considering 50 per cent of the present cost of education or 50 per cent of the greater cost which would make it possible to raise the standard in rural schools?

MR. HANNA: We would like it to be 50 per cent of the greater cost.

At the bottom of page seven, we deal with the unfairness of the present system. Quoting from the brief:

"The Fathers of Confederation in laying down the democratic basis of society in the British

"North America Act were considering a society which offered relatively equal opportunity to all,--a society in which the glaring inequalities of wealth, characteristic of the twentieth century had not yet arisen. To-day no such equality of opportunity exists, but by a modification of the financing of education we may contribute towards the achievement of the democratic society conceived by the Fathers of Confederation."

Following this we analyse the method of raising money by a tax on real estate and point out why the present system is unfair to the taxpayers. There are great variations between school sections, even in one township and the variations are mentioned. In that table on page eight, we see that the legislative grants vary from \$68. to \$290. County grants vary from \$7 to \$136. It may be seen from this how unfair the present system is. Under the present system of taxation there is not possible an equality of opportunity in the different school sections. This is very unfair to the children, as we show on page nine of the brief. In some townships \$29.50 per year per pupil would be the average cost, while in others it would run as high as \$76.40. In villages it might run as high as \$119. It is the feeling of our association that there should be a greater equality of opportunity. Under the present system of taxation, this inequality exists and the teacher suffers because of this present taxation arrangement. Salaries as low as those mentioned a short time ago by Mr. Rutherford are paid and these are quite inadequate to meet the legitimate needs of a teacher.

COMMISSIONER ANGUS: If you gave equality of opportunity, would not the cost of pupil per year be very much higher in rural districts which had a very few pupils than in places where the pupils could be easily collected in large schools?

MR. HANNA: That might be adjusted, I could not say.

COMMISSIONER ANGUS: You could never expect the cost per pupil to be equal.

MR. NOSEWORTHY: That is quite right, in any school where the number of pupils in attendance is below a fixed number the cost per pupil is bound to be higher than if those pupils are given the same type of education in a larger centre.

COMMISSIONER ANGUS: One can hardly have both things equal. If there is equal opportunity for the pupils, then the cost is not equal. If there is equal cost, then the opportunity for the pupils would be unequal.

MR. HANNA: We say, of course, that if there were larger administrative units formed in these sections with one, two or five pupils that this disparity in the equality of education would be minimized.

COMMISSIONER MacKAY: Do you think a larger administrative unit would substantially reduce the cost of education? Given the present educational standards in rural areas, if you consolidated the schools into much larger administrative units, would it substantially reduce the cost?

MR. HANNA: Personally, I could not answer that question. Mr. Noseworthy will give you his experience in a moment. The municipality in which he resides has had some experience in this connection. I think the main objective should be to secure the right type of education and if that is going to cost a little more, it will be accepted if it is worth more. Mr. Noseworthy will give you his experience, obtained in his own municipality with larger administrative units.

MR. NOSEWORTHY: I would not want to be placed on record to the effect that larger administrative units would give a substantially reduced cost. However, larger administrative units will give much greater value for the

money spent on education than our present small units.

It is bound to improve the type of education which is being given and the improved type will probably cost as much or even more than is being spent at the present time. In the township of York, a few years ago, there were eleven school boards and now, there is one. There is no comparison between the educational opportunities being offered by the larger administrative unit and the opportunity afforded under the administration of the eleven different boards.

THE CHAIRMAN: Was that a voluntary amalgamation under the Act?

MR. NOSEWORTHY: Yes, it was. All over the Dominion wherever such amalgamation has taken place, Berry Creek or the Turner Valley as well as other places, the educational opportunities have been improved. It is quite definitely established that there is much more education given per dollar than is given under the present small unit system. I think that has been established in every case in which larger units have been tried.

COMMISSIONER MacKAY: An increase in education without any reduction in cost, is that it?

MR. NOSEWORTHY: Yes, if you were to keep the educational opportunity down to what it is at the present time, there would undoubtedly be a saving, but the primary purpose of the larger unit is to afford greater opportunity, not primarily to reduce the cost.

THE CHAIRMAN: Thank you very much, Mr. Noseworthy.

MR. HANNA: We are not really asking for a reduction in the expenditure, but that there should be a greater expenditure.

I continue on page ten under the heading "Education and other expenditures":

"We recognize that if the demands of education which we have outlined in this brief are to be met, not only must educational costs be shifted from the municipal to the provincial and federal governments, but certain additional expenditures must be made."

On page 16 and 17, it is shown that educational expenditures have not increased in the same ratio as other municipal expenditures. It would almost seem, sir, if I might presume to answer a question that was asked of Mr. Rutherford, as if boards of education should control municipal councils. There might be a saving.

THE CHAIRMAN : There might be greater economies?

MR. HANNA: That, at any rate, is made clear on page fifteen. Other municipal taxes have increased in a greater percentage than school taxes. This is in spite of the fact that the school population has increased much more rapidly than the general population. In the middle of page 16 you will notice that the population figures are given from 1920 to 1933, for Ontario. 1920 being the basic year, the population is represented by 100. It increased to 122.9 by 1933. Elementary school enrolment did not increase quite so much. It increased to 117.5. Secondary school enrolment increased from 100 to 228.5. There is increasing difficulty, sir, for young people to get employment at an early age. More and more, the age for entering employment tends to rise, so there is a consequent greater demand for local secondary education. This is clearly evidenced by the tremendous increase in secondary school enrolment. However, in spite of that, sir, the figures at the bottom of page fifteen show that school taxes did not increase in as great a ratio as other municipal taxes.

THE CHAIRMAN: That is no doubt largely due to the greater increase in the cost of social services.

MR. HANNA: Undoubtedly it is, sir. The other municipal taxes would include many new social services and would help to swell that figure to what it is. There has been, of course, this tremendous increase in the popular demand for secondary education.

THE CHAIRMAN: There is no doubt about that.

MR. HANNA: Then we come to page 11 which is the summary of our brief. I hope you will pardon me if I read this section.

"In this brief we have requested that the Dominion government contribute to educational costs in the provinces preferably by a federal subsidy. We have attempted to show:

(I) that education is a matter of great national importance and is recognized as such by the governments of the United States of America and of European countries as well as by prominent Canadians;

(II) that education is closely related to the problem of unemployment and that the educational system should be more closely coordinated by means of federal aid with 'Youth Rehabilitation' agencies;

(III) that farm communities are at present receiving inadequate educational opportunities and that the whole agricultural industry would benefit by increased expenditure on rural education.

(IV) that the present system of financing education by local taxation on real estate is unfair to the municipal taxpayer, the child and the

"teacher;

(V) that educational expenditures have not increased in proportion to other municipal and provincial expenditures in spite of an increased school enrolment and a popular demand for higher education.

The experience of the United States proves that federal assistance to education can be given without interfering with state control of educational policy--"

I grant you that the federal authority in the United States has steadily been taking some of the duties of the different states.

Continuing to quote:

"--the experience of England proves that large grants can be made to municipalities without destroying municipal autonomy in education."

In England the central government gives as much as 50 per cent towards education without endangering the local control.

"We humbly submit to this Royal Commission our conviction that the changes in taxation and the financing of education recommended in this brief are in harmony with national needs and that if these changes are made much social conflict will be avoided, and national unity promoted."

I thank you, sir, for the hearing which you have accorded to the Teachers of Ontario.

THE CHAIRMAN: It is/^avery interesting brief, and deals, undoubtedly, with one of the most important questions facing the public to-day. Undoubtedly, at the present time, it is very important to maintain the standard of education. The problem of provincial and federal assistance, you will recognize, presents a very real diffie

culty. This brief will be marked as exhibit number 291.

EXHIBIT NO. 291: Brief of the
Ontario Teachers'
Council.

THE CHAIRMAN: ~~There~~ has been handed to me a copy
of, "The financial administration of education in English-
speaking countries". This will be filed as exhibit
number 292.

EXHIBIT NO. 292: The Financial ad-
ministration of
Education in English-
speaking countries.

(Page 7330 follows)

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

THE CHAIRMAN: The next is the Canadian Association of Social Workers. The brief will be presented by Mrs. Cameron Parker, Miss C. J. Walker, Mr. R. W. Hopper, and Mr. M. M. Cohn. Mrs. Parker.

MRS. PARKER: Mr. Rowell, and Commissioners, this Brief is presented by the Ontario members of a national organization of social workers, the men and women who are professionally employed in social work. This organization was organized in 1928, and in Ontario its members are working, naturally, chiefly in the four largest cities of the Province, but they are also scattered throughout the Province in the rural areas as well. There are many things we would have liked to cover but we have tried to stick to what the Commission is, in our opinion, supposed to cover. Therefore, the Brief confines itself to demonstrating that an adequate standard of living for persons being assisted by unemployment relief and social service, should be maintained in order to justify the large expenditure involved in this service. And secondly, that two essentials connected with the administration of these services are, research and adequate personnel. With your approval, Mr. Chairman, we would like to take first from page 8 to the end of the Brief, because we feel that the core of our recommendations are in these last two sections, on research and personnel, then we will endeavour to abbreviate the first part. We think it wise to read the last two sections in order to get the full picture of the unemployment situation.

The Dominion Government appointed the Employment Commission, and now this Commission, and we feel, therefore, that in the same way it would seem to be a sound principle to have a continuing body to study changing social conditions and to compile facts for reference so that future adjust-

ments in the social services might keep pace with moving events rather than follow crises; so that there may be a sound basis for the maintenance of standards in keeping with current needs and for the simplification of the necessary administration.

"Adequate Social Data Not Available: In preparing any data on social conditions for presentation to the public - - whether it be for the purposes of such a brief as this or for any other purpose.... social workers find a complete lack of pertinent statistics, correlated evidence and extensive surveys. Much basic material for research is recorded in the files of agencies, both public and private, but lacking general guidance for a unified purpose it is not now readily available for such research. Such co-ordinated data as has been compiled by social workers is limited by the fact that there is no person or social agency in Canada able to give full time to social research while engaged in their present occupations."

The National Council of Research perhaps comes the nearest to it, but it is not in the field that we mean by social service, and what actually happens as a result of the policies of relief and the social services.

"Certain statements which might arise from presentations in this brief, would express the convictions of Ontario social workers generally. Such statements lack conclusive support, yet all would come within the range of legitimate research on social questions."

Then we have given some examples of what we consider suitable fields of research, or the things which we would consider axiomatic, and yet, without research, we cannot prove them. For example we consider that;

"(1) There are higher public costs from hospital care, relief for unemployables, and child protection arising from families who live below a recognized minimum level than from families who live above this level.

(2) Families whose income is below a recognized minimum level cannot maintain a static, if low, level but assume an ever lower level."

That is, they do not seem to remain where we can find them, but they continue to go downhill because on a low wage they cannot keep up to what they previously were. I will mention that later.

"(3) The social and financial cost to the state of permitting a transient group to be available to industry for seasonal employment is out of all proportion to the benefits which accrue to industry thereby.

(4) Certain special social cases involving such matters as illegitimacy, physical and mental defectiveness, cannot be treated under rulings for normal cases, without ultimate costs for institutional care arising."

That is, we realize the Public Departments have to have definite regulations, but these things that do not fit in with those regulations, unless there is provision for individual consideration for them, we feel that the cost is going to be higher; they are going to be neglected and they are going to mean very high ultimate costs. And one thing we would like to include in that is the employment service. We consider that there is not at the present time that individual approach in the employment service, or the co-ordination of social work and employment service which make it possible for you to solve one after another of the difficult cases where employment and social service meet.

THE CHAIRMAN: That is, in the case of where unemployment relief is granted you suggest that there is not adequate study of the conditions of each family?

MRS. PARKER: Yes, There is one very brief story which perhaps illustrates this; it is not within the last few years, but it is the best one to illustrate it. On relief here in Toronto there was a study made of some people who had been on relief for quite a number of years. There was one man who was employed as a worker on an elevator, because he had had a paralysis that made one side partially paralyzed, and he could not do his ordinary work, - he had been a postman delivering letters. He was therefore earning only \$8.00 per week. Then he got continuous relief for three or four years. A study was made of that case, and one of the natural things we did was to go back to his former employment. When we went to the Post Office it was found that that man had simply dropped out of their knowledge, and the Post Office authorities said that he was one of the best men they ever had, and that they could use him immediately as a sorter within the Post Office. Within three days he stepped up from an \$8.00 per week wage with relief, and living at a relief level, with his whole family, to \$24.00 per week wage. I grant you there are few such examples as that, but it is that sort of study, of one case after another, that will solve things; if we can get a combination of the employment service with the social work. However, these are just things that we feel should come under research.

"(5) The cost of care for indigent persons in hospitals and sanitarium; of delinquents in reform schools and penal institutions; of relief for families broken by death or desertion, will be greater for families living under inadequate housing conditions than for

families suitably housed."

It may be if we do get research in some of these things we will find we are wrong, but I am sure we would be the first ones to be properly informed and to be working on sound lines.

"In view of the importance to national welfare of agriculture and industry, it has been found wise to establish adequate research facilities for questions connected with agriculture and industry. In view of the importance to national welfare of all the people of Canada it would also seem wise to establish adequate research facilities for the study of social questions which affect these people."

We feel that there are certain principles in social work which would be proven by research, which would definitely bring up the quality of our people in Canada, - if we could prove our points and have the Government make investments along the lines that such research would prove. We feel a great deal is being invested in medical research, and very wisely, and yet we are neglecting the whole field of social research and spending such extraordinary amounts annually in recent years, without a sound basis.

"Therefore it is submitted:

That as expenditures for relief and social services are among the highest responsibilities of the governments, it would be in the interest of efficiency and economy to have all action in these matters preceded by a thorough knowledge of the conditions involving these expenditures; therefore the Dominion government would be well-advised to establish a Bureau of Social Research to be available for the study of all social matters. Such a Bureau might be established as a division of the

"National Research Council unless a better place could be found for it."

We think that the first thing a Bureau would need would be statistics. We would like also to make the point that such a Bureau would be useless unless headed by the right people. I think that there is a tendency to feel that University graduates, post-graduate students, can do certain research. Perhaps they can, under direction, but we think such a bureau would require the direction of a person who had had a great deal of experience in actual social work, or they would not see what was involved in it.

THE CHAIRMAN: I am afraid that problem will not be submitted to us, Mrs. Parker.

MRS. PARKER: I wish it were, Mr. Chairman; I would have a lot of hope for it.

COMMISSIONER MacKAY: If I may ask a question, please; do you think that the method of centralizing research, which is largely followed by the National Research Council, would be suitable for research in the social welfare field? Or would it be preferable to subsidize research in the Provinces or in the Municipalities or in Universities?

MRS. PARKER: Well, I think it might be both. I think our feeling is that it should start as a national matter, to get a breaking in on it. Am I correct in saying, for example, in the production of wheat they have worked all over the country in the different places, on experimental farms, and I would think the same would apply in this, that you should use your facilities all over, - your voluntary work and provincial work, and so on, - all over the different places in Canada. I should think that should be started with Dominion headquarters and I think probably you would find the Universities very glad to co-operate with you. Does that answer your question?

COMMISSIONER MacKAY, Yes, thank you.

MRS. PARKER: Then the next paragraph, under personnel.

"All public services must be controlled by specific regulations and yet be adjustable to circumstances which will vary in different parts of the country. The elasticity allowed must be controlled with due regard for general good and individual needs if the services are to be satisfactory both to those who provide the services and those who benefit by them. Therefore, adequate administration is essential.

Because the object of social services is to alleviate personal distress and solve human problems, the direction of such services should be by persons skilled in understanding human relationships. Such understanding arises from the application of a method in dealing with these relationships, developed through the years by persons engaged in this delicate and intricate work. The method is taught and the practical skill acquired through special and intensive training.

There are various grades and types of work in carrying on the social services and each grade and type should call for particular qualifications and personnel in keeping with these qualifications. Official requirements in these matters should be made superior to local or any other influence. "

In other words, we feel that those principles which would be applicable in a business organization would be applicable here. One would never put in a business organization a young

inexperienced person who has never been engaged in that type of work; you expect them to have some training, and expect them to prove their ability in the various departments of that store, or whatever business it may be. They must have training in order to secure understanding and experience. There are other places that junior people can fill.

"Social workers, qualified for their particular work, are already in the field. Others are being trained in schools of Social Work associated directly or indirectly with universities in the Dominion with a definite view to being ready as Canadian society realizes the need for them. These facilities can be expanded and it has been demonstrated that an adequate number of competent people can be attracted to qualify themselves if there is reasonable assurance of openings for them.

Therefore, it is submitted:

- (a) That the Federal government should adopt the principle of trained personnel in its own departments in all social services and in similar departments in all subsidiary units.
- (b) That this principle should be gradually put into practice within a definite number of years."

We would like to amplify that very much, because we have a lot of ideas on that subject. We think possibly one of the first points in time is the drawing up of some plan of how rapidly such a trained personnel could be brought into the social service, and that it would be constructive if some such thing as a five year or six year plan could be worked out, demanding certain things this year and certain things next year, and so on, and with possibly a Dominion committee along that line, to work that out, ^{that} would be one of the first moves, if we were directing the Government, - which

of course, we are not. And we think that possibly if such a committee were formed that the Canadian Association and the schools of social work should be able to give valuable assistance to the Government, - as to what it is possible to do in certain times, how fast you can train certain people, what is suitable education, and things like that.

THE CHAIRMAN: To what extent is training now being carried on of personnel in the different provinces in Canada, at the Universities or elsewhere?

MRS. PARKER: There are three schools, Mr. Chairman, in Canada at present; one in Montreal, which is linked with the University of McGill; one in Toronto, which is a part of the University; and one in Vancouver which is also affiliated with the University. I believe there is hope of establishing one in Winnipeg, but not immediately. There is need of one there, I think.

"(c) That trained personnel should be used at once so far as available, particularly in positions as supervisors of staff."

We have seen that tried out here in Ontario, and we are quite convinced that even if the available personnel were used in a position where they would have some chance of imparting the knowledge they have to untrained people, that that would be a big step, and one that could be done immediately.

"(d) That the maintenance of standards in personnel should be definitely linked, as in the maintenance of standards in other elements of the services, with financial assistance to be received from the superior governments."

In other words, that Dominion Government assistance could be conditional upon the smaller units coming up to certain standards, - that the man who pays the piper surely has the right to call the tune.

"Through all the submissions in this brief there is implied greater Federal control with, of course, allowance for provincial and municipal differences. It is realized that this requires revision of the British North America Act and it is submitted that this is essential for efficient administration.

Until such revision should take place, it is submitted that the Federal government must take leadership in the working out of policies and setting of standards: that even under present limitations much can be done. Such control by higher authority can be worked out by a system of grants-in-aid."

We have seen that worked out in Toronto and in the Province of Ontario with a great deal of success, where municipalities and agencies have lived up to certain standards, and have been helped by increased grants in aid. We know that it has worked out very successfully, and we do not see why it should not be applied on a national basis.

Then to go back to the first part of the report, Mr. Chairman, I will endeavour to give you the page from which I am reading, but we are endeavouring to go through it rather quickly. As a profession, we are working more than any other profession with the people who are in receipt of relief and the social services. Perhaps we, more than any others, should be able to give to the Commission a picture of the point of view of those people. As a group, they are inarticulate and cannot speak for themselves, although perhaps some of them do speak rather one-sidedly. But we are from day to day in touch with them, and the reason we have given such detail in the first part of this brief has been in an effort to give you an idea of how this free service affects those people, and what the result is on those people of cumbersome machinery and regulations, which we

often think stupid, and of industrial employment policies that do hit very hard on certain groups with whom we deal. And because the profession is increasingly composed of persons trained in scientific methods we feel so often that we are treating results rather than causes, and results often wrongly loaded on social services, which we feel belong on industry or the Government; such things as short working periods in some of the industries resulting in long periods of unemployment, and we feel that that surely should be the responsibility of the Government and industries to adjust, rather than the social services. We also feel that the ultimate costs are so much higher than if we dealt with the thing from the point of view of prevention, and also, we are very restive under our inability to prove these points. We consider that in many instances there is an absolute waste of good tax money on patching up things which we think could be prevented, - even things that the taxpayer and the ordinary City Council think are costly, - we feel that if we had research to prove it we are convinced it would be cheaper in the long run than by spending the great amounts we do spend without getting at the causes.

As we cannot submit figures, we asked the members of our Association to send in statements as to the way they felt, and they have submitted quite a number of stories illustrating the points, and these stories are available if they are of any use to the Commission. We did not include them in our brief because they are stories of real people, and confidential material which should not be published. However, they are available to you if you wish to have them.

On page 1 we have dealt very briefly on certain points in the Ontario Government's Regulations. I imagine most of those are familiar to the Commission, and I will not read them. The things that are relevant to the questions which we bring up from here on, are these points, stated very

briefly: 1. That the distribution of costs in Ontario leaves approximately 25% to the municipality, and 75% to the two Governments. Administration cost is all on the local municipality; and we refer to that later. Then on the food standards, you are no doubt familiar with the food standard that is recommended by the Ontario Government, by what they call the Campbell Report, plus 25%. We feel it is significant because in the first place, it is a recommended standard, it is not a regulation, - it is recommended. And in the second place, that it is considered a maximum. The Government does not pay higher than that rate, therefore the municipalities are apt to look on that as rather a luxurious and sufficient rate. The same is true of shelter, the Ontario Government limiting its contribution but not insisting that that be paid in any way; it is looked on, again, as a maximum. The result of this is, starting at the top of page 2, that there are extraordinary valuations in different parts of Ontario in the standard of relief given.

THE CHAIRMAN: Of course, you will understand as a Commission we cannot enter into any consideration of the standards, and the variability of the standards. All that we as a Commission can consider is whether unemployment relief should be dealt with wholly as a Federal responsibility or partly Federal and partly Provincial, - relieving the municipality, or dealt with as it is at present, a measure of the responsibility resting on each. We are only concerned with the principle.

MRS. PARKER: Yes, Mr. Chairman, I think you will find we are working towards that, if we may ask your patience. We want to give you, as far as we can, the effect at the present time, and we feel that we are working towards giving our suggestions as to how a different arrangement might be better, if that is all right.

THE CHAIRMAN: Thank you.

MRS. PARKER: Under the present system, therefore, the variation in Ontario in 1936, and 1937, was that four municipalities gave slightly more than the Campbell Report allowance, plus 25%; 19 gave approximately the Campbell Report allowance, plus 25%; 29 gave the Campbell Report allowance without the 25%; and 26 gave even less than the Campbell Report allowance itself. And that does not include the rural districts, where we find that some of the rural allowances are extraordinarily low. We realize you must take into consideration what they grow and raise themselves, but even so we know of a great deal of hardship.

The Ontario Medical Association in 1936, after considerable study, declared that a family of five required a minimum food allowance to maintain health of \$8.27 per week. The Campbell Report, plus 25%, allows for the same family only \$6.25, - almost \$2.00 a week below what the Medical Association thinks is necessary. So that when you consider most of the municipalities are below that, it is pretty bad. The reasons I think are two. In the first place, although they are only paying 25%, they are saving a certain amount of money by keeping it lower. Perhaps the more important reason is, it is related to the wage scale in those various municipalities, and in those little rural places the wage scale is undoubtedly very low. They have a feeling that the relief scale must be below that again. Another effect of these limitations is that there is a large variation between the cities and the townships adjoining them, - like Toronto and York Township, London and Westminster Township, - where there are people living under practically the same conditions with the same cost of housing and food, and so on, and yet the municipalities and the townships vary very definitely. Then there are inconsistencies, such as a family of five may be 11% below what is considered a fair amount, and another family of

ten almost 16% below, which seems a little hard to understand. We have a good deal of malnutrition among people on relief. We know you cannot state that that is due to relief, because there are so many other causes which might come into it, like poor management, and discouragement, and things of that type. But the fact remains, there is a great deal of malnutrition among the people on relief, and the one answer to malnutrition is, adequate food.

To read again from page 2, at the bottom, and the top of page 3:

"It is believed that sooner or later the taxpayer pays more for the after-effects of poverty in others than he would pay for adequate care in the beginning. Disease and organic troubles flourish and medical and hospital costs soar when conditions of malnutrition prevail. Social workers believe that costs of hospital care, cost of relief for unemployables, cost for the care of children destitute through loss of their natural guardians and other costs which fall upon the taxpayer can be traced back to an inadequate standard of living as one of the causes of these undesirable conditions.

Therefore, it is submitted:

- (a) That inasmuch as it is the desire of the Provincial government to insure for the destitute people of Ontario the necessities of life, steps should be taken to make this assistance available to all who require it by setting a reasonable minimum standard of relief controlled by provincial government regulations.
- (b) That governments (federal, to provincial, to municipal) should not only make assistance dependent upon the maintenance of standards but

"should retain power to insist on such standards."

Even if the municipality is paying for the administration the Federal Government has a tremendous stake in it, in their investment that they are putting into it, and they should surely ^{have} the power to insist on proper standards.

"(c) That the administration of relief should be in the hands of staff members capable of intelligent regard for official regulations and the interests of the general public, and also capable of using discretionary powers in meeting special circumstances in individual cases."

The low income group, as shown on page 3, concerns social workers perhaps more than those on relief. By low-income families is meant those earning less than \$900.00 per year. I will not read this statement, but the minimum budget set up by the Visiting Homemakers' Association of Toronto is shown here, and it estimates that \$24.00 per week is about the least on which you can maintain adequate living standards in the City of Toronto, for a family of five.

Then in regard to the types of low-income families, - this is from the stories submitted to us, - this group is composed of four types, of which the last two we think are particularly the responsibility of the Government. The first one is the person who is in receipt of an adequate wage for only part of the year. The story there submitted is that of a civic employee earning \$28.80 per week, but for seven months in the year only, which brings his wages down to an average weekly income of \$17.17, with which to care for a large family. The second one is in regard to the low wage of a full-time worker. The story there is in regard to a former western farmer who came down here and is now working at \$15.00 per week, and the family comprises two adults and six children under sixteen. We have quite a number of stories concerning families of nine children, where the wage paid

is \$9.23 a week; a garage worker, with six children working for \$12.00 a week, and so on. The third group is the War Veteran Group, - those living on a Government allowance, which is certainly below the standard of living. The fourth group is that of those receiving the Mothers' Allowance. The Mothers' Allowance, of course, was intended originally to be supplementary. To-day there is very little chance of them earning any supplementary wage, and you find these people all over the country endeavouring to live on this Mothers' Allowance. The story that is submitted in this case tells of the difficulties which are encountered by that one family, and that is used as an illustration.

While the people in group 3 and 4 do not make up as large a number as those in the first two, yet they are more significant, from the Government point of view, because I think they are a direct Government responsibility. On page 4 there is an example of a War Veteran getting \$60.00 a month allowance where there has been a history of tuberculosis, and consequently, it is very serious for those five children who have been exposed to T.B., and living on that allowance.

COMMISSIONER ANGUS: In all these examples the number of children is distinctly large. Is the moral or the conclusion that there should be in those cases some supplementary amount for the larger family?

MRS. PARKER: I think there should be some plan for it. We feel that if we do not plan to give them proper food, we will pay for it to a greater extent through hospitalization. If that man who has T.B. cannot work, we think there should be some plan of supplementing his income, - not out of any particular humanitarian view, but as an investment, because we do not want to pay the larger hospitalization costs, - although we must not lose sight of the humanitarian viewpoint. Then in regard to the

Mothers' Allowance, if industrial conditions are such that they cannot get work I think we are wasting the money we are putting into it, to some extent, if we only give them half a living, and keep them in poor health.

COMMISSIONER ANGUS: I suppose it is fairly frequent that the relief paid to a family with a large number of children may be larger than the wage or pension or other income?

MRS. PARKER: I believe there are a great many instances of it. One of the things we have a great deal of trouble with is to allow relief to Mothers' Allowance cases, - supplementary,

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Under relief policies with this low income the men who are working on their own may get relief, that is the man who is engaged in hunting, fishing or in work on his own, it rests a great deal with the administrator. One group that is in frequent difficulties is the ones who are classified as conducting business of their own. That is, if they employ one helper, even though it might be one of their own family helping, they may be automatically refused relief for the rest of the year. Now, we are very cognizant of the difficulties of checking up that income, we know all about it, but at the same time we realize the ones that are frauds get a lot more publicity than the ones we know where there is a real hardship because of the refusal of that sort of thing.

The budgeting of the temporary incomes is a matter of serious concern to us. It used to be that they were budgeted in conformity with the Labour Gazette Standards. That is if a man was working for four months say, his legitimate expenditure during that time was gauged by the Gazette Standard, and therefore the amount he had earned was possibly supposed to carry him say one month past the time he had worked. But for the man's earnings to be budgeted according to the relief standard it would mean he would probably carry on for two months beyond that, and we submit there is no incentive for that man to work if his working time, his living, should be budgeted on the relief standard, and we believe it should be on the Gazette standard, that should be the relief standard that was general.

We also find in case after case that we mention under research that the progress is downhill, they never stay static on those low income grades. Their furniture wears out, their endurance wears out, everything wears out

and they become increasingly lower in their standard of living and in their ambition and health.

On page 5 our submissions in that respect are

- (1) "That wages should be fairly calculated so that it is to the advantage of the unemployed to seek and accept employment, rather than that "unemployment aid should be fairly calculated so that it will be to the advantage of the unemployed to seek and accept employment."

I think the reading of that does not seem to be clear there, but in other words we feel the wage level should be right rather than that relief should be put below an inadequate wage and the emphasis should be put on a fair wage.

THE CHAIRMAN: That is an important point but unfortunately or fortunately this commission has not jurisdiction to pass upon that.

MRS. PARKER: Mr. Chairman, is there any hope of jurisdiction on the question of minimum wage?

THE CHAIRMAN: No, all we could say about a minimum wage is this: Whether in our view the power which is now possessed by the Province should be transferred to the Dominion to fix a minimum wage. That is the full scope of our jurisdiction. We have had representations made to us that it should be transferred to the Dominion. We have had other representations that it should remain where it is. We have no right to express an opinion on the merits of a minimum wage.

MRS. PARKER: I think our feeling on a lot of that is that there would be more hope of uniform standards between the provinces if they were national. Also we appreciate in this connection the Dominion effort there has been in the prosecution of low wages. We feel that is

a very constructive influence, although in some cases it has made it difficult, too.

And then the employment service and their attitude we think should be a Dominion interest, because that is one of the solutions we think of a lot of these low wages, and if we have a chance to make a careful study as to whether there is some place where a man could work or some other place or job of an adequate type, that that would meet a lot of the difficulty in this case.

The submissions there, to follow through on page 5:

(B) "That official regulations should provide for such standards of maintenance within Public Assistance that the purposes of the services be assured and that such regulations should permit a degree of flexibility to allow for individual differences in cases."

In order to retain the welfare of the pensioners concerned, that refers to these two pensions we have already mentioned.

(c) " That discretion in allowing adjustments in the general official policy be allocated to suitable persons; such persons to be chosen not only as suitable civil servants but because they will be capable of guiding indigent families and persons in the necessary adjustments of their personal affairs and of securing community co-operation towards the ultimate welfare of the families and individuals."

The discretion refers to so many cases where we think there is need of it. For instance one of the stories sent in was that of a young mother who had had three babies within four years. The ordinary food allowance would not

keep that woman in proper health. There should be discretion in stocking her up with food or else it may be a case of losing the mother or paying hospital bills. Another case that was sent in was that of a woman with six children all with diabetic conditions, and no provision would meet that unless there were powers of flexibility.

On non-residents, the order-in-council of August, 1937 in Ontario defines residence qualifications. Ontario has hoped to simplify it by adding that regulation of August, 1937, but unfortunately, it is not characterized by simplicity in the problem itself.

"Pre-supposing a perfectly docile family, there can be such difficulties as the following:

One municipality will decide that a family properly belongs elsewhere and will transport it accordingly. The second municipality will prove that this was an error." And will transport it back. "Negotiations consume time until municipality number one agrees to receive the family but declines to advance the return fare. Again, a municipality will find a non-resident family in need of relief but may decide that it was reasonable for this family to come in and to wish to stay. The municipality may be willing to give relief for the required time, according to regulations, but the second municipality will not consent to meet the relief standards of number one, and hence, if it is to be responsible for relief, it demands that the family return to its original home. Pending decisions, of course, the family has no status and a precarious existence. Temporary public or private aid may be secured

and certain temperaments may acquire a taste for change and travel. There seems to be no other outcome for the creaking of official machinery."

In this non-residence, we feel that families have reasons for changes. They may want to get hospital care, they may have more hope of work, more hope of opportunities with a change, or there may be broken homes where there are relatives in the second municipality. But to none of these does that non-residence qualification give an answer. There are lots of minor things, like young unmarried mothers question which is very difficult of administration under the non-residence qualification. In Toronto there were 300 of these cases dealt with by private agency. We feel the private agency caught most of that expense because they were not residents and they come to a larger city. As far as the ones made wards go, they are not chargeable against the municipality if they are non-resident. The Children's Protection Act is drawn so as to protect that very carefully and charge back to the municipality where the last twelve months continuous residence existed. And we feel that the Children's Protection Act does protect the taxpayer of each municipality in that regard, but the care of the mother herself, the case work on it, has been of a voluntary agency problem and is quite a serious one.

Then, the transients are a worry to us all.

The National Employment Commission has said that our system needs vigorous and mobile labour, and they have supplied figures that 50% of these are residents of the Dominion and 75% of them are residents of the province, but we do not know how many of them are immigrants. We think that they are not a social service responsibility

after all, they are a product of the conditions we have in industry. And we would like to put in our word for unemployment insurance and for that unemployment insurance being worked out on some such basis as we have in Workmen's Compensation. The Workmen's Compensation in Ontario, which the industry thought was going to be terrible when it came in, has settled down where we hear very little complaint of it, and yet it has proved an incentive to the industry putting in safety measures. It has made the rate high for the ones which have accidents, it has made the rate low for the ones that do not. And we feel there is a principle that has worked out successfully that needs to be applied on a national basis to unemployment insurance and it should be our way of solving them, rather than blame them on social services and treating them as indigents. If we move them from place to place there should be a plan for giving them work the year round.

On inter-provincial transients on page 7, I may read a little bit there, and our recommendations.

"The different policies and practices prevailing in dealing with provincial non-residents create all the social problems connected with similar situations locally and have the added disadvantage of being more expensive. Adequate investigation before a family is transported would save official time and public money in both provinces. There is usually little correspondence before the move but a good deal afterwards. In the meantime the family is as other families without a fixed status.

There is no information available as to how large a number of people are involved in such cases," that is non-residents, "but the expenditure of time and money (public and private)

connected with one case is usually alarming enough.

Therefore it is submitted:

- (1) That the qualification for Public Aid", that is pensions and public relief such as unemployment "should be removed from Municipal residence and a basis be found in terms of Dominion citizenship.
- (2) That the higher governments requisition the assistance of commerce and industry in devising arrangements which will insure that business enterprises make year-round provision for their essential quotas of employees.
- (3) That it is in the interest of the efficient administration of public expenditures for unemployment relief and the social services that uniform principles be adopted by the provinces so that their policies may be correlated.
- (4) That the highest unit of administrative authority should be vested in the Federal government and that Federal, Provincial and Municipal units should be directly responsible to the superior unit."

Then our last point that we wish to take up with you, Mr. Chairman, is the one of housing. That is on page 7, and we won't read except the last submission. Health Departments all over the province have plenty of instances of houses that they cannot condemn because there is no place else for them to go, they are just on the borderline of condemnation, and there is plenty of evidence from health authorities as to the effect on

people of living in those houses. We want to point out that that belongs not only to the cities, but to the suburban areas, the people living in shacks with large families, are often in just as serious condition. The things that do concern the Government policy in that are the rental relief policies. They have a very definite relation to the situation. Repairs are always very directly related to the rental that can be paid, and where the rental that can be paid on relief is just twice the taxes, it means that the progress of the relief families has been steadily downhill. If a family that lives in a fairly good district goes on relief they find they cannot pay the rent of that house. The other alternative is to bring in another family with them. The landlord owning a house in a good district will not permit that. Therefore they have to move to a lower type district and they group with another family and still they find they cannot maintain that house again and they move down and down into worse houses until they get to the one where the landlord has an old house on a rather valuable property, and gets a fairly high rent because of the standard of relief rent being twice the taxes, and with no scruples about over-crowding, there are two or three families in a house meant for one, and so on. So it is contributing directly to that condition.

We consider the need of housing is necessarily a government consideration, because it is not financially profitable. It is the lowest income which needs it and which is suffering and it could never be profitable as a private venture. After all, we are tax-payers too and have that point of view, and we think that research will show that that is one of the things where our economics

are unwise, that we are going to pay in the end in hospital costs more than it would cost us in outlay for housing. I know that your municipal voters do not see that as a rule, but I think when you see the results of it you are pretty sure of it.

Then, to read from page 8:

"Social workers have innumerable examples on file of over-crowded homes driving young people to the streets and strange places where the streets lead them; accidents to young children in street-play; an unwholesome knowledge of life destroying all finer sensibilities as the result of over-crowded conditions.

As the houses decay, and the family status goes down, the cumulative effect on the community goes up. Relief and services, courts, hospitals and institutions try vainly to treat after effects and meet increasing demands.

While admitting that a government housing project of the type required would be financially non-productive in the first instance, it would bring some financial returns in the part it would play in establishing industry and in reducing the costs of unemployment relief and other social services.

Therefore it is submitted:

That as an essential part in any plan for decreasing the demands for the social services, by creating an adequate standard of living for those who must have public assistance, by creating some work for those now on Unemployment Relief, the higher governments should take steps to provide adequate low-cost housing, of a type

available to the lowest income group of citizens."

COMMISSIONER DAFOE: You use the word in its plural sense. Do you think there should be co-operation between the provincial and Dominion governments?

MRS. PARKER: I think perhaps, Mr. Dafoe, that that is beyond our jurisdiction or our knowledge to say, but we do realize that when it comes up as a municipal effort there is a short-sighted view on it.

COMMISSIONER DAFOE: You feel it should not be a municipal responsibility?

MRS. PARKER: But we don't feel it will ever get to first base as a municipal viewpoint, and it is a larger problem.

We are very grateful to you, Mr. Chairman, for this hearing.

THE CHAIRMAN: Thank you. It is a very interesting and important question you have brought before us, and so far as it falls within our jurisdiction we will give it careful consideration.

MRS. PARKER: I am sorry if you feel we have gone outside your jurisdiction.

THE CHAIRMAN: You have been illustrating no doubt, as you say, the reasons why you reach certain conclusions.

MRS. PARKER: We felt that we wanted to give you really, if we could, what effects we see of the present arrangement.

COMMISSIONER ANGUS: Do you consider it is short-sighted in the long run for municipalities to tax low-cost housing? Do you think if the low-cost housing of adequate quality were tax exempt or taxed at a low rate - of course in Toronto it is taxed at a low rate - if that were more widespread that that would help?

MRS. PARKER: I should think it would. I think again

that is hardly within our jurisdiction, that we would not certainly be considered authorities on the matter. We do feel that that might fill the municipal question of providing it without the additional cost to the land owner, which makes it prohibitive for him to give low rates.

COMMISSIONER ANGUS: I raised that question because that would perhaps be more within the terms of our reference than the other questions.

MRS. PARKER: I think anything that would make it feasible to get good houses at a low rate would be a good thing.

COMMISSIONER MacKAY: One general question, Mrs. Parker: Do you think the present system of administration of relief by municipal authorities is relatively efficient, or would be more efficient if it were transferred completely to the federal authorities?

MRS. PARKER: Absolutely. I think there is no question in our mind that the present system of municipal administration means absolute inefficiency, with these 2300 different policies - is that the number of municipalities in Ontario? - and administered as it is by people who have often very little knowledge of the principles of the thing they are doing. We feel that the larger administration, the larger unit of administration is better, and I think we do lean very definitely to Dominion regulations.

COMMISSIONER MacKAY: Why? Because you think the Dominion would employ better people or because you think the unit would be different from the present municipal unit?

MRS. PARKER: I think both, I think the unit would be different and larger and give you a chance to get a more

economical set-up with better people, worth-while people administering a larger unit. I think it would remove it a little further from municipal politics. I think it is extremely difficult at present to administer relief wisely when you are so close to municipal politics, as you are in all these little towns round-about. It seems to me your British System - am I not right in saying that Great Britain has found it advisable to remove that from the local jurisdiction, and therefore remove it from the pressure of politics close by?

COMMISSIONER MacKAY: Would that apply also to such things as Mothers' Allowances?

MRS. PARKER: Yes, but I think the Mothers' Allowance is now provincially administered, is it not, with the local group advising as to who goes on it? But there is joint control there with the province administering it and the province selecting the workers and doing the supervising which does provide a definite removal from municipal pressure, and I think at present that seems to be working well.

THE CHAIRMAN: Thank you. The brief will be marked exhibit No. 293.

EXHIBIT NO. 293 - Brief of Ontario Branches of the Canadian Association of Social Workers.

THE CHAIRMAN: The next is the Ontario Library Association.

MRS. PARKER: Mr. Chairman, would you like me to have these stories with you?

THE CHAIRMAN: You might leave them with the secretary, yes.

The brief of the Ontario Library Association is to be presented by Mr. Wallace.

W. STEWART WALLACE; Mr. Chairman and gentlemen: I am filing a brief on behalf of the Ontario Library

Association with reference to the establishment of a national library.

The point we wish to make is that the publicly supported libraries of Ontario are at present performing some of the functions of a national library by way of inter-library loan, reference service and otherwise without any recompense to themselves, and we feel that the question of the establishment of a national library is becoming more urgent as time goes on.

I think, however, sir, that the brief is self-explanatory and I do not think I need add anything to it unless there are any points any member of the Commission would like me to clarify.

COMMISSIONER DAFOE: I see you exclude the Parliamentary library from the scope of the national library. In British Columbia Mr. Rivington, in the representation made on behalf of the library association there, envisaged it as merged, incorporated in the national library.

MR. WALLACE: The Parliamentary library at present is not a national library in the sense that the library of Congress is. It exists solely for the purpose of the members of Parliament and members of the civil service.

COMMISSIONER DAFOE: You are asking here that it should so continue, that the national library would be separate?

MR. WALLACE: I think the whole question would be a matter that a commission ought to go into. I do not know that we want to express any opinion as to the future of the Parliamentary Library.

THE CHAIRMAN: Thank you, Mr. Wallace. The brief will be filed as exhibit 294.

EXHIBIT NO. 294 : Brief of Ontario Library Association.

THE CHAIRMAN: The next is the brief of the Welfare Council of Toronto presented by Professor Urwick, Mrs. Kathleen Gorrie as secretary, and Mrs. Maspar Fraser.

PROFESSOR E.J. URWICK: May I begin the presentation, Mr. Chairman, at once?

THE CHAIRMAN: Yes, if you please.

PROFESSOR URWICK: Perhaps you will like me to explain the constitution of the Welfare Council? It is a council of agencies, and those agencies are directly concerned in the relief and assistance of poverty and need and distress of all sorts. They are both voluntary and statutory agencies. And the council represents a majority of the agencies in the city and district of Toronto which are responsible, between them, for the expenditure of a very large sum of money and their members, boards and workers, are engaged in day to day work in all parts of the city and environs, in every sort of work affecting the welfare of the people. It is for that reason they wish to make certain recommendations and explanations to you, sir.

THE CHAIRMAN: Thank you.

PROFESSOR URWICK: First of all they wish to say that in regard to the general relief, the relief of destitution as such by public authorities, we call attention to the fact that in this province and in the Dominion generally there is at present no uniform standard of food relief and no standard whatever of relief in the form of shelter or housing. Moreover even where the food standard adopted is highest the relief given has for some time been seriously inadequate. The results of that inadequacy are dealt with in detail in parts of our brief which I do not wish to read today.

We wish to point out first, however,

"That the bad effects are most marked in the cases of children and mothers or expectant mothers for whom adequate sustenance is most needed; and secondly that it is not merely a question of inadequate supply of physical needs, but involves also the degeneration of the home, the loss of self respect, and the apathy which follows a prolonged struggle to make a good life under impossible conditions. The way in which the relief is given also varies. For the most part it is given in kind or in vouchers exchangeable at stores, less often in cash. In the matter of clothing there is no settled policy. In some localities no allowance is made for this obvious need; in some a very small cash grant is given; in some the relief is given in kind. In the latter case the method illustrates one general defect of public relief as now administered. The task is regarded as one of meeting the obvious necessities of a homogeneous class of needy persons. Individual differences of need and individual sensibilities are apt to be forgotten. The value of self respect and family respect is often neglected. Methods of relief are adopted which take little account of the position of the mother as the responsible provider and maker of the home. Therefore the whole matter is apt to be regarded as a burden upon the taxpayers which must almost at all costs be kept down to the smallest possible amount. The desire to economise seems to find its easiest field in the relief of the poor; we

suggest that there is no field in which false economy is more dangerous or in which evasion of responsibility for the sake of economy has more disastrous long-run effects.

There is, we wish to point out, "this excuse both for the lack of uniformity and for the desire to economise. The duty of providing relief for the destitute falls of course upon the local authority. But the local units - whether the city or county or township - differ widely in their resources. Some are poor, some comparatively well-to-do. There is in Canada no equalization fund for the assistance of overburdened units out of the resources of those with more wealth and lighter burdens. Each has to do the best it can, with the help of whatever grants may be available from the Provincial governments.

Another unfortunate result follows from the fact that both the administration of relief and the framing of a policy of relief are in the hands of numerous local authorities consisting of annually elected councillors. In the vast majority of cases it is fair to say that the chief interest of the councillors lies in other matters affecting the welfare of the locality, and not in the treatment of distress. In its present aggravated form the problem of relief is new to them; it represents a burden thrust upon them quite recently. Naturally therefore they wish to get rid of the burden as soon as may be. Meanwhile their first thought is how best to diminish it. The expenditure appears to be both unproductive and unprofitable. It also diverts money from more interesting undertakings which

might bring positive benefit to the locality and the taxpayers. In addition to this, there is a definite limitation of their powers of taxation which results in placing upon a single class - the owners of real estate - an increasing burden of social services which concern the whole community. Consequently, through no fault of their own, the local authorities are not as a rule in a position to devote disinterested attention to framing policies and directing activities in the exceedingly complex field of the relief of the poor."

THE CHAIRMAN: Professor Urwick, you speak of the increasing burden upon one class of property owners, real estate. Have you considered the problem from the economic point of view? It has been represented to us in a number of briefs that due to the increase in burden placed upon real estate it is called upon to bear quite a prominent proportion of the total cost, with the result that it retards the construction of homes and the owning of homes, and consequently retards economic recovery and economic development. Has that view been considered?

PROFESSOR URWICK: We have not gone into that matter in any detail. We have touched upon the question of housing. I do not propose to dwell upon that to any great extent. Nor have we ventured to touch on the field of taxation. We did not feel that we were qualified to do more than express our own opinion, which perhaps would not be worth too much.

THE CHAIRMAN: I thought perhaps your opinion would be worth a good deal on this question of taxation, whether you think the burden on real estate is an undue burden.

PROFESSOR URWICK: It is good of you to say that, sir. My own opinion and my experience in connection with the

various bodies and various people interested in the matter is quite definitely that the present burden upon the owners of real estate is acting as a hindrance to the employment of capital and undertaking the use of enterprise in housing of the lower grades, poorer grades, quite definitely at the present time.

THE CHAIRMAN: I thought from that point of view your organizations would be interested in the problem.

PROFESSOR URWICK: They are extremely interested in it but omitted reference to it, as I say, sir, because they did not feel they were qualified as a whole, as experts, to speak upon that.

THE CHAIRMAN: Thank you.

PROFESSOR URWICK: "The actual administration of the relief in the districts is left to the appointed officials who may be and often are devoted and capable. But in most cases their time is fully occupied with the administration itself, and in any case they have to keep their plans or reforms within the limits set by the councillors. This character of local boards, which we merely state as a general fact, explains the lack of co-operation often found in the field of relief between statutory and voluntary agencies. The local councillors realize the value of voluntary efforts because they tend to take off part of the relief burden. But they sometimes find it difficult to accept the social workers as co-workers, possibly because of a general misunderstanding of their aims." Which may be on both sides.

"On behalf of an exceedingly large body of individual social workers who compose the voluntary welfare agencies we wish to state our

general attitude to both the relief of distress and the principles underlying it. We believe that, though the quantity of available relief is important, at least equal importance should attach to the careful adjustment of assistance to the particular needs of each family and individual, and in many cases the careful adjustment of each family and individual to the plan of assistance offered, with the minimum of demoralisation. This means that the maximum of responsibility and of co-operation should be evoked from all recipients of relief. We also believe that dependence upon relief or the need of assistance can be prevented in a great many cases, and habits of independence developed, and that this prevention can be attained only through careful consideration of the circumstances and needs of families as wholes."

I wish to say that it is characteristic of social workers generally "that they would rather do a week's work to prevent the need of relief than a day's work in securing and distributing relief. And we suggest that this is one of the most efficient ways of saving money both for the taxpayers and for the charitable public. At the same time we believe that, wherever needed, the relief given should be completely adequate to the need and should not be a compromise between economy on the one side and urgent necessity on the other."

THE CHAIRMAN: Professor Urwick, do you think it is possible in a system administered by a government to take into account the detailed family needs?

PROFESSOR URWICK: We believe sir that it is in this

way, that if there was an extension of what has already been begun, namely, co-operation between the statutory body in certain municipalities or counties, and a voluntary arrangement working hand in hand with that, that what we look upon as so desirable would be achieved. It is rather expensive I admit but we believe it would in the long run be a saving.

(Page 7375 follows)

THE CHAIRMAN: Do they operate the unemployment relief in that way in England, that is relief as opposed to unemployment insurance?

PROFESSOR URWICK: Relief in addition to unemployment assistance. As you doubtless know, efforts are being made in England to link it up with the family agencies and voluntary bodies of all sorts. This is true, particularly, in South Wales and the Northeast of England. I have information that there is increased cooperation and that cooperation is increasing quite rapidly. We are hopeful that the same thing might be done in this country. The problem of poverty, of course, increased enormously and was made much more severe by widespread unemployment. We do not propose at this point to do more than give just a brief reference to unemployment insurance. We entirely agree that it is a good thing, but we do wish to point out that it cannot be regarded as a remedy for unemployment. At best, it can only be a partial remedy for the effects of unemployment, to a less extent in this country than in most other countries. We are thinking at this point of the rather extraordinary seasonal drop at the end of each November which means an increase of something over ten per cent of the unemployed. Practically in every year, even in the good years, this same situation is in evidence. We are faced with the fact that there are a large number of farmers, who are not employees, and who have made a new form of distress. For this reason, we think that too much reliance should not be placed upon relief which will come from unemployment insurance schemes.

THE CHAIRMAN: There is greater stability in employment in Great Britain than in Canada, due to these causes which you have mentioned.

PROFESSOR URWICK: That is the case, I think, sir.

THE CHAIRMAN: Consequently, unemployment insurance could not be expected to produce as satisfactory results as those which are produced in England.

PROFESSOR URWICK: That is what we wish to point out. On the other hand, we wish to advocate a national scheme of this sort because it is likely to save from depression, despair and a sense of frustration a large number of workers--I am quoting now from the brief:

"--who even in short spells of unemployment lose both their savings and their sense of security, and are faced also with the loss of their independence and self respect. On the other hand a national scheme of insurance would inevitably lead to the creation or improvement of a machinery which would be invaluable in dealing with the relief of unemployment in all its forms. We refer to a uniform and nation-wide system of employment exchanges equipped with a personnel adequate to assist, in whatever ways may be deemed possible, both the unemployed persons themselves and various special agencies which may exist to help them."

THE CHAIRMAN: You might have unemployment insurance and unemployment aid as well. If one limits that to those insured persons after the period of insurance has expired and then gives unemployment relief to those who do not come within the insured category--then there might be a group which did not come within the limits of either; you have to have three classes.

PROFESSOR URWICK: That is what we believe and I think that is what has been the experience in England. We also suggest that a scheme for building houses should be inaugurated and undertaken with national help and national supervision. I do not think it is necessary to go further into the details of this as you already have

the proposals before you, sir. A large proportion of our unemployed are those who would ordinarily be engaged in the house building industry. This element of the unemployed population is much greater than any other, I think.

Quoting now from the brief:

"The difficulties connected with the relief of unemployment are increased by the accompanying problems of low wages, or labour paid a wage below a subsistence level. This in effect is sweated labour--"

I do not wish to dwell upon that although the brief does set forth certain principles in connection with it. However, I would like, if I may, on behalf of the council, to call attention to the fact that the greatest difficulties are continually arising for voluntary social workers because of the fact that there is no settled policy as to whether wages should be supplemented. There is no settled policy as to whether any account should be taken of low wages or whether relief, if it is given, should be given as the sole support of the family and that the family should not be allowed to compete in the labour market. Until these questions are settled, we see no solution of the difficulties. In cases where a family is earning a sum such as \$9.00 a week, we are faced with the problem of either contradicting the authorities and giving them aid or perhaps leaving the family alone, leaving them practically destitute.

THE CHAIRMAN: Do you suggest any remedy for this in the brief?

PROFESSOR URWICK: We suggest in the brief, sir, that wherever a local department or any authority takes upon its self the responsibility for the maintenance of a destitute family, it should have the whole responsibility. It should pay an allowance which would be sufficient for the needs of life and not allow the members of that family to compete in the labour, certainly not the head of the family at any rate. If the younger members do so,

there is not so much disadvantage as their wages can be more easily supervised. We suggest that the head of a family should not be working at the same time he is a recipient of relief.

COMMISSIONER ANGUS: Does it follow from that, that the same authority should deal with minimum wages and with relief, that is to say, if the Dominion government deals with relief, should it also have the authority over minimum wages?

PROFESSOR URWICK: As we suggest in our recommendations, there should be a different form of coordination in the form of ^apublic assistance authority or public assistance board which would work side by side with the employment board. This would coordinate the various services. We have not thought of it from your point of view, namely, the bringing of the employment board and minimum wage boards into the connection which you suggest. Your plan might be a better plan; we have only suggested this alternative.

There is one other matter in which we are keenly interested. Many of our agencies give a great deal of time to this question. The matter to which I am referring is the rehabilitation and training of youth.

THE CHAIRMAN: Just a moment, before you continue with your next point. What are your views on a situation in which an employer gives only three days of work in a week?

PROFESSOR URWICK: It would have to be covered by what I have just said, I am afraid, sir. If the employer gave three days of work in a week, we should maintain that that family ought not to be the recipients of relief so long as he is maintaining them. I must confess, however, that there could never be a general agreement upon that point. We have seen instances in which the head of the

family took a certain amount of work and this fact led to the rapid fall of wages in that particular occupation. This lowered the standard of wages, so that in one particular case where the man was working fairly steadily, it fell to something like four cents per hour. This would mean that the total wage for the week would be under \$2.00. The man in this particular case was not working the whole of the time, but he was more or less on duty for the purpose.

THE CHAIRMAN: In what kind of business would he be engaged?

PROFESSOR URWICK: The washing of cars. One can see, of course, that that kind of casual labour might be very glad to take the job for a very small payment which will pull down the wage level.

COMMISSIONER DAFOE: I believe in some instances there is an attempt to get at the amount earned by obliging persons who make earnings to report those earnings to the relief authority. This amount is then deducted from the amount of relief received.

PROFESSOR URWICK: I believe that has been done in some cases. I wonder, though, if everyone could be depended upon to give that information. I do not know that it would get over the difficulty of lowering the wage standard in certain kinds of semi-casual occupations.

COMMISSIONER DAFOE: I believe that this is the rule in Winnipeg.

THE CHAIRMAN: I believe it is the rule in Toronto, too.

PROFESSOR URWICK: I believe it is, sir. A man has to report his earnings and if they are quite small, at the present, I think no notice is taken of them, that is, if they are \$1.00 or \$2.00. However, if the earnings rise above that point, of course, there is notice taken

of it.

Quoting from the brief:

"It is however a matter in which sure progress can only be made in the light of much fuller information than is at present available. Proposals for training for work and vocational guidance appear to carry their recommendation on their face; everyone accepts them as obviously reasonable, much as many people accept a policy of 'back to the land' as a partial panacea. But both are beset by difficulties. There are probably few people in Canada who are fit to give vocational guidance to any normal youths without far more knowledge of the trends of industry than anyone now possesses. Training may benefit anyone; but if it is specialized it may fail to benefit directly the trained individual five or ten years hence. In particular we would ask for more consideration of the policy of sending city youths to be trained for farm work at a time when a considerable number of youths born and brought up on the farms are deserting the country and seeking the towns. It might be safer to concentrate attention on keeping in the country those who have already become familiar with farm work rather than send untried city youths to take their places. We wish to emphasize also the advisability of concentrating attention upon the possibility of keeping boys and girls in the country districts to which they belong, by fostering opportunities for cooperative education and recreation. There are no figures to guide us here; in this as in many other difficulties we know of no available source of detailed information.

"We wish to draw special attention also to certain important effects of the practice of treating relief and care as merely a local problem or a local responsibility. There is first the familiar difficulty of the care of non-residents and transients. This is dealt with fully in an accompanying memorandum."

I believe that this matter is fairly well before the Commission and I do not think I need to do more than quote the figures which we have received from Montreal, showing how the problem of non-residence is. In an investigation made by the Family Welfare Association of Montreal of nearly 300 families with whom they were in contact, one-third were found to have no legal residence anywhere. Of 44,000 single men registered for relief in Toronto between 1931 and 1936, 23,000 were transients. Accurate information relative to the country as a whole is not available. There is one condition of the supervision of the care of the poor which we desire to emphasize particularly. It is that to which you have already referred, namely, the great importance of linking up family work, where it is possible, with specialized work of officials who are dealing with the different categories of people who are receiving relief. I think, that in all cases it should be linked up with the general family care, where it is possible.

Quoting from the brief:

"In the matter of the prevention and treatment of disease and ill-health, so closely connected with the prevention of poverty, there is also a serious lack of uniformity in the distribution of essential services and resources. In the accompanying memorandum devoted to this subject evidence is given to show that known methods of

"prevention of disease and adequate medical facilities are not yet available to large numbers of our citizens; and that where such services are available many persons fail to make use of them on account of indigence. The many grave questions involved have not yet received careful consideration in connection with social administration generally and with the relief and prevention of the distress usually associated with poverty. There appears to be an urgent need of a progressive National Health Policy aimed at the fuller utilization of medical science and resources in all parts of the Dominion."

Then there is a short summary which points out certain difficulties which we would like to put quite briefly, if we may.

Quoting from the brief:

"There is first a grave lack of uniformity of treatment and of policy. There is at present no recognized body of persons in Canada whose chief concern is the care of the poor; there is no available source of advice and guidance. Particular forms of social services are more or less specialized in the hands of particular departments or individuals. But there is no attempt to coordinate action and resources in the whole field of assistance. The policy of relief is for the most part in the hands of non-experts. The responsible local bodies are not primarily interested in the problem.

There is no centre from which much needed social information can be obtained. Social research has not been considered worthy of serious attention. There is little careful and continuous thought about the problem. There is no one whose duty it is to

"devote such thought to the problem of relief and prevention as a whole. It is not even recognized that the problem deserves such close attention. Perhaps it is not too much to say that, in both our thought and our action, we are still in the Middle Ages, when the problem of poverty was considered a simple matter which the parochial units might deal with as they pleased.

There is an almost total lack of uniformity of standards of assistance and of efficiency in administration. Little attention is paid to personnel. Detailed administration is often delegated to individuals selected without reference to their qualifications for so difficult a task. It is seldom realized that a skilled and experienced worker, even though a little more expensive, is always a saving in the end. It is perhaps hardly necessary to insist that there can be little hope of better administration so long as appointments depend in the least degree upon political or fraternal influences.

There are not only divided responsibilities, but an absence of any clear agreement as to where the responsibilities, financial or administrative, should lie. The smaller units feel that the greater authorities, provincial or federal, should accept a larger share of responsibility. It is certainly arguable that, in the growing complexity of interdependence of all activities, the general problem of poverty must become more and more a national one. But until some clear understanding is reached, there is not likely to be wholehearted and efficient cooperation of all authorities. In

"the meanwhile the poor are the immediate sufferers and every neglect means additional future burdens on all citizens.

In view of these defects we present the following positive proposals.

I. That there should be a Central Public Assistance Board, for the general supervision of the relief of the poor, whose special functions would include.--"

THE CHAIRMAN: Where you refer to the Central Public Assistance Board, you mean a Dominion board or a provincial board?

PROFESSOR URWICK: A Dominion board, we mean a central board for the whole nation.

Continuing to quote:

"(1) Establishing standards of relief adapted to conditions of each locality.

(2) Recommending grants-in-aid for special purposes to local authorities.

(3) Establishing uniform rules of settlement and of responsibility for non-residence.

(4) Improving the methods of administration (including the audit of accounts and keeping of records).

(5) Establishing standards of personnel. Developing opportunities of training for welfare administrators.

(6) Furnishing information and advice.

(7) Coordinating the work of public and private agencies.

II. That the number of local authorities responsible for the care of the poor should be greatly reduced, and larger units of administration

"substituted.

THE CHAIRMAN: Under the system which you suggest, the whole of greater Toronto would constitute one area, would it not?

PROFESSOR URWICK: Yes, it would become a single area.

THE CHAIRMAN: You would not have different standards in the city itself and in the suburban communities surrounding the city, would you?

PROFESSOR URWICK: No, the same standard would be in effect. We believe that the greater dignity which would come from a large unit would be a distinct advantage over the small councils. We believe that this is a good argument for the amalgamation of small units.

Continuing to quote:

"III. That there should be small local Welfare Boards in each administrative unit, consisting preferably of three members, one local Councillor, one independent citizen, and one person experienced in welfare work, the two latter being appointed for a period of not less than five years. Such boards to act in an advisory capacity only; to concern themselves exclusively with problems of assistance, considered as problems in which the treatment of poverty and the treatment of disease are inseparable elements; to interpret local needs and conditions to the Central Public Assistance Board; to act as a link between the Central Board and the local administration; and to increase cooperation between the local administration and voluntary welfare agencies.

IV. That a Central Bureau of Social Research be established, for the continuous study of con-

"ditions, problems, and changes connected with poverty and assistance throughout the Dominion."

THE CHAIRMAN: It has been suggested that that should be a branch of the National Research Council, have you any opinion on that question?

PROFESSOR URWICK: There is a certain amount of opinion, though not uniform, sir. What we would prefer to see would be a body very much like that of the Bureau of Statistics which has existed for a good many years. It would be a bureau definitely independent for the collection of information on sociological matters. It would be a separate body, not merely a part of the existing Research Bureau.

THE CHAIRMAN: You say a social research bureau, and that would carry with it, would it not, the idea of research in the social sciences and the social work?

PROFESSOR URWICK: It would carry that idea with it, undoubtedly, yes.

THE CHAIRMAN: You were present when the social workers presented their brief, were you not?

PROFESSOR URWICK: Yes, this afternoon.

THE CHAIRMAN: You heard the stress which they placed upon social research, did you?

PROFESSOR URWICK: Yes, I did.

THE CHAIRMAN: Would you agree with that general point of view?

PROFESSOR URWICK: It was not quite the point of view which we had in mind, if I understood them correctly.

They were advocating the extension of university work as well as other research projects. We were thinking of a centralized body whose function it would be to collect information on social happenings or social facts and statistics

THE CHAIRMAN: You might have a bureau which would discharge the function of collecting statistics and they would form a very usefull basis for reasearch work. The research work could be done independt of the collection of statistics, save as the statistics aided in the conduct of the work. You might have a bureau do both or just the one.

PROFESSOR URWICK: I do not know, sir. Of course, I agree with you when you say that it might be that the bureau, as it developed its work would establish co-agitors, as it were, in the different parts of the province who would be working in close connection with it, doing some of the sociological research. Then, the universities might be drawn in for special projects which they could undertake.

THE CHAIRMAN: But would you think that would be better than having a central research bureau conducting research as the National Research Council conducts research into industry?

PROFESSOR URWICK: If I might speak quite frankly, I think we were a little a bit afraid that under such an arrangement the social research might be overshadowed by the industrial research. I do not know whether that is a false view on our part or not.

THE CHAIRMAN: It may not be a false view.

PROFESSOR URWICK: It was the view which some of us hold. It was for this reason that some of us felt we would like to have an independent body, if it were possible.

I continue with the reading of recommendation number five:

"V. That a national scheme of unemployment insurance should be initiated as soon as possible.

VI. That a central unemployment board be instituted, to assist in securing uniformity of

"action, to reorganize and supervise employment exchanges, to promote schemes of training, especially for youths and girls between the years of 16 and 25, to develop cultural opportunities for all suffering from enforced idleness, to study and advise upon public works for the mitigation of unemployment, and generally to help local authorities in making provision for their unemployed dependents.

VII. That Minimum Wage legislation be made more uniform and effective throughout the Dominion."

THE CHAIRMAN: I think Commissioner Angus raised that question earlier in the discussion. The only aspect of that question upon which we are competent to express an opinion is whether the Dominion should have legislative jurisdiction or whether it should remain where it is, with the province.

PROFESSOR URWICK: I do not know whether we are competent to express an opinion on that matter.

THE CHAIRMAN: I was asking the question to see whether you contemplated Dominion legislation or greater cooperation between the provinces?

PROFESSOR URWICK: We did not go into that at all, but I think it was felt that a nation-wide application of the law would be necessary. We felt that minimum wage legislation would have to come to be a national matter.

Quoting number eight:

"VIII. That a national health policy be formulated, with a view to:--

(1) The more general use of all preventive measures against disease, and all facilities for treatment;

"(2) Assistance for medical education and research;

(3) Provision of medical care for the indigent;

(4) A system of health insurance by which medical care of high quality may be provided for all contributors to such a system. Within income limits to be determined, such contributions to be compulsory."

THE CHAIRMAN: In number two of number eight, you say, "assistance for medical education and research", what have you in mind there?

PROFESSOR URWICK: I think the feeling in the council was that there was a great deal of endowment needed for research and specialized work. There is a certain amount done by the government, but there ought to be more.

THE CHAIRMAN: I am under the impression that more students apply for admission to the medical courses in our universities than the universities are able to handle. Perhaps they have been imposing very stringent limitations, but evidently there are more than are necessary to meet the needs of the people of Canada. It was not assistance for students which you had in mind, was it?

PROFESSOR URWICK: No, I do not think it was assistance to increase the number of medical students or medical men, I think it was just for research. Unfortunately our medical representatives were not able to be here this afternoon.

THE CHAIRMAN: Would this system of health insurance, in your opinion, be a contributory system?

MR. URWICK: Well, undoubtedly, if it was a contributory system by compulsory contribution from all

people, it probably would not apply to the indigents. There would not be any person in it who was not in the earning class.

THE CHAIRMAN: That point was discussed at some of our hearings and this view was presented; There should be a general contributory system, the individual, the employer, where he was employed, the government and the employer would contribute, but some provision would have to be made by the state to provide for the contribution of the indigent so that it would get the benefit of any health insurance scheme. I do not know whether your group has considered that phase of it or not.

PROFESSOR URWICK: To this extent, sir, we recommend also that there should be a provision for medical care for the indigent as a separate clause. Then there should be some form of contributory insurance worked out on a compulsory basis, but we do not go into any details as to the form which a contributory scheme would take.

COMMISSIONER DAFOE: It would be a Dominion-wide scheme?

PROFESSOR URWICK: A Dominion-wide scheme, yes. At least, in all probability it would be. We have not expressed an opinion on that.

COMMISSIONER MacKAY: It seems to me that all these recommendations assume that the Dominion ought to exercise control over most, if not all, of the departments in the field of public welfare and public assistance. Although the brief does not specifically state that, that is the inference which might be drawn. How would it be possible, for example, under recommendation number one, for a central public assistance board to operate under the present arrangement, where most of the responsibility, if not all of the responsibility for public assistance falls upon the province

and the municipality. It seems to me, first, that the whole field of public welfare has to be transferred to the Dominion, as I indicated.

PROFESSOR URWICK: Is not the general responsibility, the responsibility for framing the policy--it would be applicable to every part of the Dominion and possibly also, necessarily in fact, a certain amount of the financial responsibility in the form of grants-in-aid would have to fall upon the federal government.

COMMISSIONER MacKAY: Do you think a system of grants-in-aid would be possible? Could the Dominion exercise the pressure necessary to control a province and make it live up to the conditions which were established? Could the Dominion exercise the same pressure upon a province which the province can exercise upon a municipality?

PROFESSOR URWICK: It is hard to say, but I think that grants-in-aid,--the bodies which actually distribute the assistance would have to be, essentially, a central body and that central control would be effective.

COMMISSIONER MacKay: They would rather be grants-in-aid to those new units of local administration, rather than to the province?

PROFESSOR URWICK: I think so, assuming always that the standards set by the central body were lived up to.

COMMISSIONER MacKAY: In effect, then, this scheme would be establishing a new unit of administration, which would skip the province completely and would overlook the municipality?

PROFESSOR URWICK: It would skip the province, that is true, and it would supersede the present municipalities by merging them into a different form.

COMMISSIONER SIROIS: The municipalities or the province--it would not be the province?

PROFESSOR URWICK: No, it would not be changing the provinces except that it would be taking a certain amount of control exercised by the province out of the hands of the province.

COMMISSIONER ANGUS: It would be unique to this extent, would it not? it would be a local government unit depending upon a federal government, not a provincial government.

PROFESSOR URWICK: Yes.

COMMISSIONER MacKAY: It would be almost impossible under the present allocation of powers to give this local unit any taxing authority. It would simply be an administrative body for distributing federal funds.

PROFESSOR URWICK: I do not know, I could not just follow you, but it would be quite important to give it taxing authority.

COMMISSIONER MacKAY: Let us take a specific example, supposing the Dominion said greater Toronto is to be an administrative unit and would be an authority in greater Toronto for the administering of public assistance. Under our present system, unless the province specifically gave that authority, that body would have no power to levy a tax rate in that area. The Dominion could not empower that body to tax--probably legally it could, but it would be extremely difficult and it would be an entirely new procedure.

PROFESSOR URWICK: I do not know, but at present these municipalities do form greater Toronto and have the power to tax given by the provincial government. Would it be impossible for these municipalities to keep that power and group themselves together?

COMMISSIONER MacKAY: Unless the province gave the

authority to tax, that body could not tax.

PROFESSOR URWICK: The province would have to authorize that change and we would hope that it would be possible. without any radical change in the permission to levy taxes. I do not know, I just bow to your opinion that it could not be done.

COMMISSIONER MacKAY: I am not sure that it could not be done, but it would be a radical change. It is a very interesting suggestion which you have made here.

PROFESSOR URWICK: I can see the difficulties.

THE CHAIRMAN: You see, at the present time, the jurisdiction over all these social services rests with the province. To you give the Dominion the power to enact unemployment insurance and to do a number of other things which are suggested here, it would require that the Dominion should have additional powers, powers which the province now enjoys. If that were done, of course, it might be done in terms broad enough to cover the provision which you have in mind carrying out. It would involve a constitutional change.

PROFESSOR URWICK: We quite realize that, but we do not know, at all, whether it is a possible one.

THE CHAIRMAN: It is what you think should be done, is it?

PROFESSOR URWICK: It is what we think should be done if we are to get administration of the sort we ought to have.

THE CHAIRMAN: Now, Professor Urwick; we have reached the hour of adjournment. If you desire to amplify this brief, we will hear you further on Monday.

PROFESSOR URWICK: I do not know that it is necessary, but I would like to consider the matter and inform you of

our decision on Monday.

THE CHAIRMAN: Then, the commission will adjourn to meet on Monday morning at eleven o'clock. The government brief will not be presented until Monday afternoon at two-thirty.

This brief will be marked as exhibit number 295.

EXHIBIT NO. 295: Brief of the
Welfare Council
of Toronto.

(The Commission adjourned at 4.30 p.m.,
Friday, April 29, 1938, to meet on
Monday, May 2, at 11 a.m.)

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

MAY 2 - 1938

REPORTERS:

George Thompson
John Robertson
David Torry



TORONTO, ONTARIO, MAY 2, 1938

REPRESENTATIONS BY THE GOVERNMENT
OF THE PROVINCE OF ONTARIO

Page

HON. MITCHELL F. HEPBURN

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CHESTER WALTERS

7453-7470

PROF. K. W. TAYLOR

7464-7470

TORONTO, ONTARIO, MAY 2, 1938

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

TORONTO, ONTARIO, MAY 2, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Parliament Buildings, Toronto, Ontario, on Monday, May 2, 1938, at 2.30 p.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN	
DR. JOSEPH SIROIS)
JOHN W. DAFOE, Esq.)
DR. ROBERT ALEXANDER MacKAY)
PROFESSOR HENRY FORBES ANGUS)
) Commissioners

Commission Counsel:
Louis S. St. Laurent, K. C.

Secretariat:

Adjutor Savard, Esq.	Acting Secretary
R. M. Fowler, Esq.	Legal secretary
	to the Chairman
Wilfrid Eggleston, Esq.	Assistant to the
	Secretary

FOR THE GOVERNMENT OF ONTARIO:

Hon. Mitchell F. Hepburn	President of the Council and Treasurer
Hon. H. C. Nixon	Provincial Secretary
Hon. Peter Heenan	Minister of Lands & Forests
Hon. P. M. Dewan	Minister of Agriculture
Hon. G. D. Conant, K.C.	Attorney-General
Hon. L. J. Simpson, M.D.	Minister of Education
Hon. T. B. McQuesten, K.C.	Minister of Highways
Hon. H. J. Kirby, K.C.	Minister of Health
Hon. Paul Leduc, K.C.	Minister of Mines
Hon. Eric W. B. Cross, K.C.	Minister of Municipal Affairs
Hon. Colin A. Campbell	Minister of Public Works
Hon. M. M. MacBride	Minister of Labour
Chester Walters	Comptroller of Finance and Deputy Provincial Treasurer
Professor K. W. Taylor	
D. W. Lang, Esq., K.C.	Counsel
Joseph Rosenfeld, Esq.	Assistant Counsel

Parliament Buildings,
Toronto, Ontario,
May 2nd, 1938.

AFTERNOON SESSION

The Commission met at 2:30 P.M.

MR. LANG: Mr.Chairman, the Prime Minister of Ontario will open the presentation of the province.

THE CHAIRMAN: Mr.Hepburn.

HONOURABLE MR.HEPBURN: With my first words, may I convey to your Lordship, and to your colleagues, the greetings of the Province of Ontario.

Mr.Chairman, you need no welcome from me; this province claims you as a son and prides itself upon your distinguished career. Few there are so richly endowed for services; and few, if any, who have served their country in so many capacities - and served so well. You have been rewarded with the admiration of the Canadian people, the affections of the people of this Province.

And now, may I express a long deep note of discontent. The first notice the Premier of this province received that a Commission had been appointed to investigate the relations of the provinces with the central government came at the breakfast table and from a morning newspaper.

I was perplexed. Perhaps, I should have surmised something of the sort was around the corner from something the Prime Minister had said a year ago in the House of Commons. My attention is frequently called to the Right Honourable Gentleman's speeches but somehow I missed that one, and, upon inquiry, I learned that the Premier of another Province had also missed it.

But surely the provinces are not to be penalized for inattention to the Hansard of the House of Commons;

surely the objective of this Commission bears so directly on the affairs of provincial government that all the provinces should have been consulted about the appointment of this Commission; and I suspect several of the provinces were consulted. For shortly after this Commission had emerged from the contemplative stage to reality, the Premier of Manitoba appeared before the Commission with thick volumes expressing views and proposals, 'arrived at' (he said) 'after long and careful inquiry'. And I said to myself: 'How long has this thing been going on'.

The answer came from an unexpected quarter. The budget speech of the recent session of the Legislature of Manitoba let the cat out of the bag; in fact, several cats. The members of Manitoba's Legislature were told (and I thought with a boast) that active work in preparation of Manitoba's case before the Commission had commenced almost three months before the terms of the reference to this Commission had been made public. The Minister went on to say:

'On June 3rd, 1937, I attended a Conference at Regina at which the Governments of the three Prairie Provinces were represented. At this Conference we sought to find a basis upon which problems common to the three Provinces could be most efficiently and economically analysed for presentation to the Rowell Commission'.

Mr. Chairman, Budget speeches are not offhand deliverances; their words are weighed, with care, and on the authority of a Minister of the Crown, we are informed that Manitoba was conferring with Saskatchewan and Alberta about proceedings before the Royal Commission before most of us, at least, the Premier of Ontario,

know there was to be a 'Rowell Commission'.

Not the least significant act of the Regina Conference was the employment of two professors of American Universities, and one of them 'an adviser to the United States Treasury' - to assist in preparing a case against the Canadian Treasury.

Mr. Chairman, when I learned those things, my perplexity turned into something else. The matter went deeper than discourtesy to the province for whose affairs, with my colleagues, I am responsible; in fact, it went to depths and widths I hesitate to describe in words before this Commission.

The matter I have been discussing has several folds of significance. For one thing it illustrates the manner in which political business is conducted (and perhaps throws a side-light on the decline of democracy). Let me stress the point for it bears directly on my position before this Commission.

Several months back, while preparing for a session of the Legislature, a copy of the evidence taken before this Commission at Winnipeg was laid on my table. As you will recall, sir, included in those briefs were two Accounts Rendered; one for \$47,000,000 a year, for the period 1931-36, and the other, for \$58,000,000 a year without time-limit. Since then, I seem to have been reading, almost daily, copies of other briefs submitted to this Commission; and what am I now to say about them? I confess I have not read most of them. To read them was impossible within the time at any Premier's disposal; and yet, I suppose most of them concern,

in some respect, the business of this Province.

Further - important as it is - this Commission is not the only one launched upon us. The other day I received the thick Report of a Federal Commission that had investigated the textile field and my province is intensely interested in textiles; I had barely opened the pages of that Report when I received another Report; this time, from a Federal Commission on Unemployment; and I am told another Commission, at Ottawa, is in the throes of giving delivery to still another Report.

Of course this Government is concerned over the reference to this Commission; and particularly over the Account Rendered at the instigation of the Regina Conference. I say, particularly, for if entertained, about half of those many millions a year would have to be taken out of the already half-emptied pockets of the people of this province.

Surely, the people's money is not to be disposed of by millions that way. If the case of the Regina Conference had not broken down in the telling one can well imagine a very, very serious situation might have arisen within Confederation.

Further, it is the considered opinion of this Government that this Commission should not have been appointed by Order-In-Council; the dignity of this Commission - the gravity of its mission - warranted appointment by the Parliament of Canada. Only a few weeks ago the Prime Minister of Canada held that the export of a certain commodity should not be licensed by Order-in-Council (although to issue a license was clearly within the power of

Council, and indeed, for years, the practise); it was contended that relations with a foreign power deserved parliamentary action. The provinces I submit are entitled to no less regard.

May I, with all respect, go further to say that matters concerning the structure of Confederation should not have been assigned to a commission (no matter the distinction of its membership)¹. There may be different views as to the approach to Confederation; personally, I have always regarded Confederation as the outcome of conference. Holding that opinion, I hold that even the senior partner should not have empowered a commission to proceed as your reference runs, 'with re-examination of the economic and financial basis of Confederation'. If there is to be change in Confederation (in my opinion) it can be brought about only by renewed conferences of the representatives of the people and with unanimity of approval.

It follows that the Province of Ontario is not before this Commission either as an applicant or as a defendant.

Later on, I shall have some comments to make as to the opinions presented to this Commission and more particularly as to the brief prepared at the instigation of the Regina Conference directly concerning the finances of this province. The Ministers and officials of the province will lay before you certain statistical memoranda, with observations; but, decisively; we are not here to bargain away functions with which we have been charged, not here to trade off the resources we are sworn to preserve.

When, in the initial transcript of the hearings of the Commission, I found the Premier of Manitoba offering to transfer provincial revenues and jurisdiction to the central government in exchange for assumption of debt (and other things) with a warning that the essential parts of the offer had to be accepted, or the deal was off; I wondered how the thing could be done.

We make no pretension to such a power. For us, the Cabinet is now, as it was in its inception - a committee of the representatives of the constituencies. In Ontario, the people are the sovereign power.

We do not hold that the Constitution is inviolable just because it will be a year over three score and ten, next July. The Constitution exists for the people. This Government fully realizes - as runs your mandate - that governments are now-a-days called upon for services that were not foreseen at the time of Confederation.

Canada is not alone in falling upon new times. How many people may adapt themselves and their political institutions to the social and economic pressure of to-day is quite the most important thing on earth. Are modern demands upon governments such that people may no longer govern themselves? European nations seem to have generally answered in the affirmative. Looking across the Atlantic we can observe social orders crumbling like chalk, under the iron-hand of concentrated power. Only people deeply grounded in individualism have been able to hold on to

freedom.

Is our vision blurred at home? I do not, for a moment, suggest there is a formidably deliberate plan to destroy our parliamentary institutions; I do say; were the men of 1837 to take stock of our politics, in 1938, they would find little left of the political ideals on which they placed such store. And the Manitobans have protested the intrusion of executive power, saying:

'In our view it is a sound principle that the taxation of imports should be a matter of decision by the Federal Parliament and we believe that the development in recent years whereby import duties may be levied by decisions of the Governor-in-Council, or the Minister of National Revenue, or the Department of National Revenue, constitutes an undesirable method of levying taxation'.

Of course I agree with that statement; but I must say it is passing strange the constitutionalists of Manitoba should have strained at an Order-in-Council dealing with spinach, and swallowed one, empowering a re-examination of the terms of Confederation. May I add: If the constitutionalists had been looking for an illustration of autocratic, executive action on tariff matters, they might well have turned to the year 1936 when the Governor-in-Council forgot all about the existence of a parliamentary-created Tariff Board, revised the tariff on the greater part of the trade of Canada and only after the rates had been in effect for weeks were the representatives of the constituencies called upon for ratification.

Before deciding that our political structure is out of joint with the times, surely, it is the part of wisdom to make sure we understand its design. For reasons we cannot stay to discuss, our grandfathers were definitely and bitterly opposed to the concentration of political power; and when, in the course of events, they came to have political power over themselves, they deliberately dispersed it. Some power they gave to the municipalities, some to the provinces, and some, to a central body. Now we are told we have too much government; and I agree.

Beyond doubt there is gross prodigality - woeful waste - in public administration; but we may have economy under the present political framework. There is overlapping of functions between the central and provincial bodies; but we may correct it, without destroying the balance set up for the insurance of self-government. In short, I am about to contend that by re-arranging the public services, we may eliminate waste, increase efficiency and, at the same time, bring government closer to the people - all without changing the Constitution.

THE CHAIRMAN: Might I just ask a couple of questions for the sake of clarity? I take it the reference in the third paragraph, to the change in the tariff, is to the United States - Canada Treaty?

HON. MR. HEPBURN: Yes, that is right, your Lordship.

THE CHAIRMAN: Then, in this paragraph you have just read about the waste in public administration and overlapping, I presume when you come to the next part of the brief you will give us fuller information about that?

HON. MR. HEPBURN: Yes. Might I add, in regard to any questions that you might like to ask, I suggest that you delay until after I am followed by Mr. Walters, who will elaborate upon all the points of policy which I am enunciating at this time. And then if you desire any further information from the Government, if you would submit those questions in writing I would be only too happy to appear again and satisfy you in that regard.

"Certain matters of public administration would probably have been better with the provinces from the beginning; probably, the Federal Government assumed certain functions because it was originally charged with administering Territories in the process of settlement, and held on after the Territories became Provinces.

Canada is a country of distances; and travel to a Capital located mid-continent is expensive. Departments requiring frequent public attendance would probably be the better for decentralization.

Distance leads to diversity. Agriculture takes on sharply divergent form in Quebec, Ontario and Saskatchewan. The best drawn Order that ever came out of Council, at Ottawa, will not profitably yield maple sugar on the prairies, nor strong wheat in the Niagara Peninsula. When we speak of 'mines' in Ontario, we do not think of 'mines' as the Nova Scotians usually do. The diversity of the factory is notorious. I feel certain that the blanket factory at Sifton, Manitoba is quite unlike the blanket factory at Lindsay, Ontario. And the living conditions of industrial labour are different.

These things are mentioned, not to contend that the Federal Government should yield functions to the provinces, rather to point out where economies

may be effected. Without doubt Federal Ministers in charge of departments that over-lap provincial departments can stake a claim to valued services; but I question there would be material loss of efficiency by transference to the provinces.

At any rate, if we are to have economy in public administration, we should begin to practice it; if we have a regard for the tax-payers beyond an expression of kind words, we should cut down the expense of government. There is no wishing well.

These things are trite. What has happened in modern times to necessitate changes in the set-up of our Constitution? What of these social services unforeseen by the Fathers of Confederation? How shall we distribute them among our several governing bodies? You have heard much of the nature and need of modern social services the past several months; and now, Mr. Chairman, I want to discuss the relative capacity of governments to administer those services.

The bare mention of the subject reminds one of the accumulation of functions by the Federal Government since Confederation, and one might well say, within the lifetime of the present generation.

The Statute of Westminster is supposed to have made a nation of us. Canada has Ministers at foreign courts and consular agents everywhere! Canada makes treaties with foreign nations! Canada is represented at the League of Nations! And all these things have been added to the Federal Government since Confederation.

Within the past few years the Federal Government

has taken on the duty of regulating the volume of the credit of the country. Indeed, it has set up business as a banker for the bankers and proposes to relieve the provinces of some of their financial duties.

The Fathers of Confederation did not foresee the airplane - the Federal Government made a department of it. The Fathers of Confederation never dreamed of the radio - and the Federal Government now uses it to broadcast news and advertise coffee, and other things (even on the Lord's Day) taxing the people for the privilege of listening in.

Within the memory of many of us, the Federal Government acquired ownership of transcontinental railways, with several thousand miles of branch lines; it sails ships, runs hotels, operates news-stands and barber shops and laundries - and loses about fifty millions a year. Now the Federal Government reaches out for a share in the control of the traffic on the highways.

War! The requirements of modern warfare have no end. The strain on governments is not merely great; it is terrific. During the Great War we were constantly being told of 'the last ounce' that was being thrown into armament; and now Ottawa proceeds to re-armament.

And I repeat my question: shall we place the 'new services' with the Federal Government or with the provinces?

The answer does not depend wholly upon what we want governments to do for us; it depends upon what governments may do to us, once they are seized

with power. For we are a stupid people if we imagine ourselves immune from the consequences of concentrating power in few hands. We may not disagree over the lessons of the times; and all time. The accumulation of power leads to autocracy; its distribution is the safety zone of democracy.

The facts and finances with respect to our social services will be placed before you. I shall only touch upon several phases of the subject that give us deepest concern. As you will realize, sir, we have had no trouble in thinking of things we would like to do for people who need things and cannot provide them out of their own earnings; our trouble (as apparently with the other provinces) is to provide those needs out of other people's earnings. Perhaps the problem may be expressed in tabloid form:

(a) under the capitalist system the revenue for social services has to be raised by taxation with a result that:

(b) the taxes are usually (not always) added to prices, and higher prices are inevitably met with decreased consumption, and consequent unemployment,

(c) and an expansion of social services, requiring additional taxation.

Never was there a more vicious circle; never anything - save war - more charged with disaster to civilization. Strong creditor nations have suffered economic paralysis by the diversion of income into public channels; and Canada, on a per caput basis, is one of the world's notorious debtors.

It is an unploasing picture; and yet it remains to trace in its darkest lines. They are not imaginary - those lines - they are to be found in real life; you may have them alike from Moscow and Berlin; from Vienna and Rome. Dr. Osthold, writing in an English bank review submits that a state which distributes 'more than 20 per cent of the national income to annuitants and unemployed without any return cannot tolerate disturbance in economic conditions'. It was a matter of life and death says Dr. Osthold: 'for Germany to abandon all disputes whether of political parties or concerning labour conditions, and to attain unity of policy for state, people and industrial economy. Any other alternative must perforce have resulted in anarchy.'

(Page 7412 follows)

"It is not a sufficient answer to say: Canada is unlike Germany, and unlike Italy, and unlike other European countries that changed their constitutions to place power in the hands of governments that they might have 'a common standard of public and social service'. May I go on to apply Dr. Osthold's observation of the effect of centralization to the problem you are specifically called upon to examine--Federal-Provincial Relations.

He says: 'The second requirement is being satisfied by the disappearance of the Confederate States as separate political entities; they now exist only as administrative units under Imperial Intendants, and in the future they will be wholly absorbed in a new territorial subdivision of the Reich.'

You may have thought, Mr. Chairman, that I was wandering afield when I drew upon European experience in these vexed matters about which we are presently concerned; but surely it is now quite obvious, from other peoples' experience, and from our own, that Canadians ought to , strengthen the hands of government closest to the people--or get ready to look back on the past seventy-five years as merely an interlude of freedom.

How then are we to have 'uniformity' of social services in Canada, for: say, wage codes and unemployment insurance? This government is committed to a policy of unemployment insurance. When the Prime Minister of Canada wrote stating that the federal government was ready to provide that service I promptly promised the cooperation of this province because the matter had been so recently discussed with the people; but subsequent events have led me

"to consider the matter may be better left with the provinces; for no sooner had the matter been talked about than the capitalized wheat-growing interests of the West began to drive for crop-insurance. Frankly, Mr. Chairman, I am not to-day prepared to express dogmatic views on this phase of the subject. It may be in a country with Canada's economic diversities, 'federal codes' are impracticable.

The principle of insurance, I take it, depends upon the feasibility of predicting, with a measure of assurance, what is likely to happen in the future. The injection of the prospects of "wheat crops" into the scheme of insuring wage-earners alters the picture. Further, if the farmers are entitled to 'unemployment insurance' when they have no crops, their employes are even more entitled to claim on the insurance fund. And we have but to look at the nature of farm employment in the west to observe that it is a highly uninsurable risk."

THE CHAIRMAN: Mr. Hepburn, so far as I am concerned, I can see no relation between crop insurance and unemployment insurance. The two rest upon entirely different basis.

HON. MR. HEPBURN: I am glad, sir, you can differentiate, but I am only pointing out why that ought not to be predicated into a scheme of unemployment insurance. We do not believe it would be advisable for crop insurance to operate with it.

Continuing to quote:

"The number of farm workers (male) for the three prairie provinces is recorded by the last census as follows:

Prairie Farms

Hired Help--1936

	Members of the family	Temporary Employees	Permanent Employees
Manitoba	78,601	44,049	5,782
Saskatchewan	184,816	118,826	11,426
Alberta	130,504	89,764	9,268
Total	<u>393,921</u>	<u>252,639</u>	<u>26,476</u>

"Already we have industrial codes in this province. The industrial diversity of Canada, with the diversity of living conditions, does not require amplification. I mention the matter to suggest that when 'codes' are required it may be they are better arranged by 'Compact' between the provinces than by federal legislation. As you know across the southern boundary an attempt at social legislation has been made by 'Compacts' between the states and, with only partial success, by reason of the number of states.

Canada does not have to face that difficulty. We have but nine provinces. Already Ontario has had helpful conferences over proposed social enactment with Quebec; and Ontario is ready to cooperate with all the provinces, whenever it is found desirable to equalize social conditions.

At first sight it may appear a paradox that uniformity of social legislation should not bring about uniformity of consequences; but, on second thought, it is plainly so with nations; and it may be so with the provinces. 'Compact' is designed to contribute to social security for of course enactments arrived at, after conference, should not be abrogated, or even amended, without further con-

"ference. One needs but think of the changes in the tariff schedule, since 1930, to observe the federal government's contribution to social insecurity.

If it is proposed that re-adjustment be in the form of assigning more duties to an already overburdened, central government, more power to a government that has already departed from the well-thumbed practices of parliamentary institutions, then sir, we have but to look across the Atlantic to read the destiny of the Canadian people.

If, however, it is proposed that the provinces shall take over additional functions, it remains to consider whether the revenues required for the purpose shall be supplied by (a) further federal subsidies or (b) by an assignment of taxable sources that, by their nature, are related to the specific services requiring expenditures.

The Controller of Finances will deal at length with taxation; but I shall stress the fact that many of the so-called modern social services arise out of the development of modern industrialism. The farmer's lot is a hard one; but it takes on generally different form, and requires a different treatment than the desperate plight of the wage-loss--and often homeless--urban factory worker.

It follows that the provinces charged with social services should make the initial levy on incomes arising within the provinces. The federal income-taxing officer should step in only when the provincial needs have been satisfied.

Whatever our disagreements, I take it we agree that it is poor politics, and worse economy, that

"one government should tax for another to spend. Confederation began with provincial subsidies--apparently with reason--and since then, the demand for still 'better terms' has been interminable (and sometimes with slight reason). The Controller of Finances has a statement to make as to the subsidized relations of the provinces within the Dominion.

Equality between the provinces is impossible. Prince Edward Island can never be like Manitoba; Ontario may not have the coal and petroleum with which Alberta is so richly endowed; and yet, somehow, we must get along together.' The provinces are fiscal entities; and governments, like individuals, must learn to manage within their means.

When a government has been carrying on within its means, that observation is probably accepted as a matter of course; when a government--for any reason--has lived beyond its means, and has trouble in catching up, the thing is different; particularly different, under a federal system; When the parties under federation fall into disagreement over their accounts the prospect of a happy settlement depends upon the spirit in which the accounts are presented.

When I first learned that Manitoba, Saskatchewan, and Alberta had combined to draw on our finances, through the federal treasury, I did not use the phrase that they were 'ganging up' against us. When I learned that the prairie provinces had retained several professors of American Universities to prepare their case, I was not annoyed. (I confess I thought the prairies must have a weak case; that was all.) The programme of the provinces

"of Manitoba, Saskatchewan and Alberta, as instigated by the Regina Conference--if entertained--would divert millions of revenue from the sorely pressed provinces of Ontario and Quebec; but when the Ministers of those provinces met to discuss the proposed diversion of their revenues they were accused of 'ganging up' against the prairie provinces. I resent the imputation.

If I am told this Commission is not interested in my resentment, I have to insist that this

Commission, while working over the figures of our economic relations, has primarily to consider the effect of its investigation upon the human figures of Canada.

Ontario believes it has met its obligations. Times again the west has charged the east with having economic advantage as a result of the federal system.

Let us at last know the truth.

The west has performed a service in presenting its claims 'in terms of money'. I dispute the items of the Account Rendered; I shall almost immediately show that the balance of benefits lies with the prairies; but really we need not quarrel over the matter; when all the items are in the Account the sum total will speak for itself.

When reading Manitoba's brief on Monetary Policy I resolved to have something to say about that particular matter. Although I never acquired a reputation as a monetary economist, it was plain that, if the Minnesota professor was right in his theory, he was wrong in his deductions; particularly wrong, as to the benefits that would have accrued to the 290,000 farmers of the prairies. And then

"I found that you, sir, and other Commissioners, on public examination of the argument, had apparently come to about the same conclusion.

However, there are several matters arising out of the brief to which I should like to draw your attention. First, I should like to take up the number of farms on the prairies. Democracy is based on numbers. You have heard much about that disastrous period 1931-1936, during which, you were told western wheat-growers suffered, by monetary and tariff policies, to the extent of \$76,000,000 a year; you were told of marginal and sub-marginal farming and abandoned farms; and, unhappily, there were hardships in the west (as everywhere) during that period.

If the west suffered more than the east there are several explanations, away from any federal policy. For one thing, the western farmers were not so well grounded in their holdings. When the agricultural crisis came, the percentage of operators who had been on the farms they occupied for less than five years was as follows: Manitoba, 32.7 per cent; Saskatchewan, 35.1 per cent; Alberta 40.4 per cent.

Not only were thousands of western farmers 'new' to the lands they occupied, a large percentage of them were also quite 'new' to the country, as will be observed from the following census table:

Nativity of Farmers

Census of Canada 1931, p.CXCII

	Canada	Other British	U.S.	Other Foreign
P. E. Island	98.06	0.97	0.91	0.06
Nova Scotia	96.42	2.19	0.82	0.57
New Brunswick	94.68	3.09	1.54	0.69
Quebec	97.53	0.67	1.20	0.60
Ontario	87.08	7.24	1.40	4.28
Manitoba	45.34	15.82	3.46	35.38
Saskatchewan	34.19	16.84	14.96	34.01
Alberta	18.17	17.15	21.81	32.67
British Columbia	32.53	36.82	9.02	21.63

" And in spite of the formidable handicaps of 'newness' there was an actual gain in the number of farms for the period 1931-1936 in which it is claimed the provinces suffered most disability. According to the census returns the number of occupied farms was as follows:

	1931	1936
Manitoba	54,199	57,774
Saskatchewan	136,472	142,391
Alberta	97,408	100,358
Total	288,079	300,523

Frankly, one finds it difficult to reconcile those figures of growth with the statement of loss through political injury. Whatever the facts about the effects of federal policy on prairie economy, there is no room to doubt the effect of the drought. During 1931-36 a wide-spread area of the west was devastated by the encroaching desert; and numbers of farms were abandoned. Yet, each of the provinces

"had a net gain in farm occupation; and there was loss only in one province of acreage under cultivation. I give the figures from the Census:

Area of Field Crops

	1931	1936
Manitoba	5,842,368	6,123,670
Saskatchewan	22,126,329	21,967,167
Alberta	12,037,394	12,103,744

The case of the prairie provinces for compensation at our expense rests on the fallen fortunes of the wheat-growers and it has seemed to me, we ought to have before us a brief statement of what really happened to wheat. Fortunately, there is little room for controversy over the matter, the subject has been investigated, times again, by authoritative bodies, including the Imperial Economic Committee, the International Institute of Agriculture and the League of Nations and, without dissent, they agree that the catastrophe began with an upset in the ranking of wheat exporters during the war. The figures of shipments from the exporting countries to the world's markets for representative pre-war and post-war periods tell the story. I give them:

Average of Crop Years 1909-14

Order	Net exports millions of bushels	Percentage share
Russia	164.5	24.5
United States	110.0	16.4
Danubian countries	109.0	16.2
Canada	95.6	14.2
Argentina	84.7	12.6
Australia	55.2	8.2

Average of crop years 1909-14

Order	Net exports Millions of bushels	Percentage share
India	49.8	7.5
Chili	2.4	.4
Total	671.2	

AVERAGE OF CROP YEARS 1954--29

Order	Net exports Millions of bushels	Percentage share
Canada	309.5	38.8
United States	178.5	22.4
Argentina	154.6	19.4
Danubian Countries	55.7	4.6
Russia	12.8	1.6
India	8.3	1.1
Total	797.0	

May I now draw interpretation of these figures--not out of my imagination--may I draw it first from the Economic Committee of the League of Nations that, in 1931, published the results of an investigation into the Agricultural Crisis. The members of the Commission are no doubt familiar with the findings but I ask leave to place on the record brief extracts from their report bearing directly on the problem before us:

1. 'The depression in agricultural products is the bottom of the general crisis, the depression in cereals is at the bottom of the agricultural depression.'

2. "The outbreak of war upset the production of and trade in wheat. It caused Russia, which had

"been the principal exporter before 1914, to disappear from the list of exporting countries. It brought about a considerable decrease in sowing and an enormous deficit in crops in Europe. It stimulated the extra-European producers. Attracted by the prices, which had risen to three times their previous level, the oversea farmers cleared and sowed virgin soil. Banks advanced them money; factories supplied them machinery. In a few years the land under wheat increased as much as in the previous forty years.'

3. 'The rise in the production of wheat is essentially due to the great overseas producing countries. The increase which has taken place in Canada is of the greatest absolute and relative importance.'

If the League's Committee is right in concluding that the relative over-production of wheat was responsible for the agricultural crisis, and right, that Canada, in this instance, western Canada was responsible for the 'greatest absolute and relative' over-production of the world's wheat supply; then the prairie provinces are themselves the makers of their own (and other people's) misfortunes. And the parties to the Regina Conference assisted the farmers of western Canada to grow more wheat. No doubt with good intention! But good intentions and bad judgment have paved many a way to an unpleasant place.

When the battle-fields of Europe were turned back again into wheatfields and their former customers gave notice after notice (by tariff rates) that they intended to supply their own

"daily bread, the governments of the prairie provinces seem to have gone right on encouraging wheat-growers to expand production. Perhaps, I am not controversial ground--and this phase of the matter is important--I ask permission to place a statement by Professor Bertil Ohlin (Stockholm) on the records which (with statistics) seems to prove that instead of more Canadian money being needed, in 1931, the need was less Canadian wheat.

After discussing the origin of the agricultural crisis, Professor Ohlin, in his case for Economic Reconstruction, points out: 'The increase in the stocks of cereals--which for wheat reached in 1929 a figure representing more than twice the average for 1921-1926 was due partly to a fall in the per capita consumption of bread cereals in countries with a high or rising standard of living, partly also to the extension of the area under wheat. Thus, the excessive capacity of production was confined to wheat alone. The following figures, which show the areas (in thousand hectares) under wheat, rye, barley, oats, maize and rice are most illuminating:

	Wheat	Other Cereals	Total
1909-1913	63,500	131,200	194,700
1920-1924	69,000	130,400	199,400
1925-1929	74,300	133,800	208,100

'Evidently in the years following the war the production of wheat tended to exceed the quantities that could be sold at prices affording farmers the customary returns and standard of living. This was not, however, realized until 1928-1929. But, even then, no attempt was made to adapt the

"output to the new conditions. Hence, it must be asked; How is it that the bumper wheat crop of 1928 did not lead to a far-reaching reduction of prices, and thereby to a shift in production and a smaller acreage under wheat? The answer is not difficult to find. Part of the crop was withheld from the market by the Canadian Wheat Pool, which succeeded in raising quotations toward the end of 1928. "

In view of that record--and I could go on confirming it--it is almost incredible that the prairie provinces should now claim disability against the rest of Canada because the wheat-growers of the prairie provinces were not enabled to enter into competitive devaluation of currency with Australia when, to use the words of the Premier of Manitoba: "Australia fell upon the verge of bankruptcy."

The Commission brought out an examination of the difference in the financial and trade relations of Canada and Australia; and brought out the increased burden that would have resulted in Canadian debt-charges with the United States. The brightest page in the relations of the provinces will never be the one in which the Premier of Manitoba argued:

"If the argument that the necessity of keeping Canada able to pay foreign debt, at not too great a cost, is sound--which we do not admit--the position is that western Canada lost more in the exports than it gained in paying foreign debts, and therefore, suffered a substantial net loss through the exchange policy of eastern Canada. "

(Page 7428 follows)

"To argue, in effect: since the West borrowed largely from the East, and the East borrowed largely abroad the West was entitled to devaluation which would have left the East holding the bag does not make for Canadian unity.

However--and quite clearly--the West would not have been left in possession of the gains it seems to imagine it would have had from devaluation; on some counts, the West would have been penalized more than the East. For example, among the country's foreign debts is one on railway account of \$800,000,000. The increase in debt-charges would have been reflected in the rail rates of wheat to seaboard. The wheat-growers would have benefitted little by the exploitation of labour (usually a source of profit from exchange-dumping) because the wheat farms of the Canadian West are almost exclusively 'family farms'; their wage bills are relatively negligible.

At first one is puzzled over the almost curiously nonchalant attitude of the Prairie Provinces toward the effect of devaluation on the price of imported goods; in fact, Professor Upgren almost points out with pride that devaluation would have 'retarded imports'. The price of dutiable goods would have borne the hallmark of protection, (even tractors) and still no effort is made by the West to count the cost. The enigma is solved when one turns to the next book and finds a separate Account Rendered for disability created by the retardation of imports.

And one is almost compelled to admire the economic legerdemain displayed by the Professors of the American Universities. On a previous oc-

"casion one of the professors described the use of currency devaluation to retard imports as something 'like using a sledge hammer to kill a fly.' With claims, alike under Monetary Policy and Tariff Policy, the set-up is just an offer to play the old game of 'Heads I Win Tails you Lose.'

It is admitted the domestic costs of the wheat-growers would have been increased under the devaluation; would the increase in world prices have been sufficient to offset the losses? From your examination I gathered the impression, Mr. Chairman, that you thought the growers of the prairies would have had some net gain. I take it the deciding factor would have been the price of wheat. Personally I have always looked upon wheat speculation as a dangerous business, but may I indicate, very briefly, the grounds on which I have come to the conclusion that the western wheat-growers would have lost rather than gained from devaluation in 1931.

In 1930 the world's wheat stocks, as I have already observed, were inordinately heavy. The following table of indices gives the record:

INDICES OF WORLD WHEAT STOCKS

(Base 1925-1929 - - 100)

1925 average		72
1926	"	89
1927	"	104
1928	"	108
1929	"	124
1930	"	158

Now does it not follow, because the objective of currency devaluation is stimulation of exports, devaluation would also have stimulated production?

Such was the experience of Australia. Within four

"years after its devaluation, Australia had increased its production of wheat 40 p.c. over the rate of production in the previous six years. If Canada had followed Australia in the ratio of production, as in the ratio of devaluation, I suggest wheat might not have brought prices yielding the cost of hauling it from the prairies. For, in the period, 1926 to 1930, Australia had 9.2 p.c. of the world's market, while Canada had 37.1 p.c. The computation of the further results I leave to the speculative statisticians.

The Premier of Manitoba assures us he would not have the Federal Government underwrite an 'uneconomic industry'. Well! Mr. Chairman, if speculating on wheat futures is hazardous for an individual it is equally hazardous (and worse) for a state. The West longs naturally for the return of volume and price to wheat; and I have no intention of expressing a personal opinion as to the probability of the return of the good, old, golden days. That there will always be a substantial demand for Manitoba wheat wherever there are people who have a taste for good bread seems certain.

But nothing will satisfy the West except bigger and better wheat markets. 'Without export markets' says the Premier of 'Manitoba' 'there is no sound ground for optimism as to our future'. And the Premier goes on to say: 'It is unfortunate that neither the members of this Commission nor any one else can predict what the long time trade and fiscal policies will be'. And yet, with doubt in his mind, the Premier would have us adjust our national policies to the needs of wheat-growers, confident that 'the natural advantages of Western Canada are such that they can be developed far beyond any we have yet attained.'

The West stakes its case on the wheat market.

"Whether we like it or not, it appears we must speculate about the future of wheat in international trade. Having disclaimed a gift of forecasting, I am going to ask permission to place on the record opinions on the subject expressed by Mr. A. Cairns at the Fourth Conference of Agriculture Economists (St. Andrews, Scotland, 1936) Mr. Cairn's services with the World's Wheat Advisory Board and, indeed, his association with the wheat pools of Western Canada give weight to his views. Mr. Cairns said:

'My reasons for taking a very discouraging view of the outlook for international trade in wheat in the next decade may be classified roughly in the order of their importance, as follows:

1. In many countries wheat and politics are now almost synonymous terms. Wheat has been subjected to far more political doctoring than any other agricultural commodity. Wheat is the principal cash crop of a large group of farmers. In many countries this group is politically very powerful.

2. My second reason for being so gloomy about the wheat outlook is the international repercussions of the purely national attempts being made by many countries to solve their wheat problems. In each of the past years wheat grown in European 'importing' countries has been exported to Great Britain; these heavily subsidized exports have depressed the price of wheat imported from normal exporting countries. In 1933-34 Germany was a substantial new exporter of wheat; in 1934-1935 France was a large, and Sweden and Latvia were substantial, new exporters; in 1935-1936 Portugal joined the ranks of net exporters; and in 1936-1937 Czechoslovakia will probably be a new recruit.

3. My third reason for taking a dark view about the

"outlook for international trade in wheat is the phenomenal improvement during the past decade in the productivity of European agriculture. Oversea farmers made great strides during and immediately after the War in increasing their agricultural output per man. In the past ten years European farmers have made similar strides.

4. My fourth reason for believing that international trade in wheat in the next decade will be very much smaller than in the post-war decade is the striking downward trend in per capita consumption of wheat in many countries.'

Mr. Cairns is indeed pessimistic about wheat; but surely there is no reason for pessimism about the future of the great Canadian West. That remark may appear a bold one, in face of the opinion expressed by the Premier of Manitoba, but I am a great believer in the value of perspective - - and hard facts. I want now to give my basis for the conclusion that the West has a great future, even if the old volume of wheat exports never comes back.

In the first place, there are not 200,000 'wheat farms' in the Prairie Provinces. The Bureau of Statistics at Ottawa classifies a 'wheat farm' as one having 50 p.c. or more of its gross income from wheat, and in that sense, the number of 'wheat farms' in the Prairie Provinces (in 1935), according to the census, was as follows: with a total of 57,774 farms in Manitoba only 7,311 are classed as 'wheat farms'; out of 142,311 farms in Saskatchewan only 62,311 are wheat farms and out of 100,358 farms in Alberta, but 29,807 are 'wheat farms'.

Those figures alter the situation. While wheat is still important, it is not the life and soul of the

"West. I have every sympathy for those 99 thousand farmers whose main source of revenue has declined; but really I do not see that it is necessary to upset Confederation on their behalf; nor do I believe we should be called upon to re-make a fiscal policy that was established long before most of them ever turned a furrow, with a tractor, on Canadian soil.

Perhaps the necessity for producing less wheat is another instance of the ill-wind that habitually blows some good, for there are social features about high-powered, mechanized farming that some of us have watched with concern. More than one European country has been forced into social revolution largely through accumulation of its land in few families and the census returns will have it that 14,928 families have possession of 26,098,771 acres (or 23.07 p.c.) of the 'occupied farm' acreage of the Prairie Provinces. "

THE CHAIRMAN: Do you know whether that includes ranch land or range land?

HON. MR. HEPBURN: Well, what we classify as occupied farm lands; I presume it includes ranching lands, yes.

THE CHAIRMAN: Because the average farm, I know, is 320 acres, and a large one is 640 acres.

HON. MR. HEPBURN: It naturally follows, with the highly mechanized methods of farming now, that farms will increase in size. That is the natural trend of events.

"If I have over-stayed my time in a discussion of the Wheat Problem, I must plead its obstinant nature in face of the world's strenuous attempts at solution. Later on, I shall have occasion to observe that the West is working its way out of crop specialization that came with its early settlement; working into a diversity designed to utilize its resources of men and materials; a diversity of the factory, as well as the field.

"Meantime I shall, by way of contrast turn to another case of compensation claimed for disability worked up by Professor Norman McL. Rogers for the Province of Nova Scotia. Professor Rogers estimated the splendid Province of Nova Scotia carried a tariff burden of \$12.28 per capita; and as a result, its population of 459,574 in 1901 had grown to only 512,846 in 1931.

Apparently the economists of the Prairie Provinces worked over the figures of Mr. Rogers, only to reject them; acceptable to the East, they actually disproved the case of the West, since Mr. Rogers had set the tariff burden of Alberta at \$26.93 per capita; and the Alberta population grew from 73,022 in 1901 to 731,605 in 1931.

Perhaps, one could not find a more striking illustration of the impracticability of compensating provinces for the disabilities they claim (even the real ones) as a result of federal policy. The Canadian Government expended hundreds of millions (and some of them, no doubt, unwisely) in opening the prairies to markets; when Nova Scotia's sons (among others) went West to seize opportunity--Mr. Rogers presented a Bill for Nova Scotia's stagnation, and the Premier of Manitoba presented another one for the social services of an expanding population. If the principle were accepted then we should have an end to national progress; the Federal Government would be compelled to go over wholly to a 'do-nothing policy'.

Having discarded Mr. Rogers' figures, the Prairie Provinces, hard-pressed to find new clothes for an old grudge, turned to a comparison of retail prices between Canada and the United States.

"I think you pointed out, sir, at Winnipeg, that provincial governments are not ordinarily interested in tariff matters; that tariff matters under our political system, are consigned to the peoples' representatives in the Federal Parliament; but when three of the nine provinces set up a claim for \$58 million a year on Tariff Policy and suggest it should, through the Federal Treasury, be met substantially by a diversion of the resources of this province, then this province finds itself with a very direct interest in tariffs.

We want to live on good terms with our provincial neighbours, Mr. Chairman; they are our good customers and as I shall almost directly point out we are theirs. Trade flows East, as well, as West. However, it is only partially an economic interest that concerns us; our main objective in dealing with the matter is to clean up the charge of 'eastern industrial exploitation'; for a sense of sectional injustice has too long retarded the national aspirations of the Canadian people.

I will almost forgive the appointment of this Commission by Order-in-Council, if, as a result of its investigations, we can measurably determine the economic relations of the Nine Provinces. And as a step towards peace, I express my thanks to the economists who have prepared the briefs submitted at Winnipeg (even the American Professors) for having expressed the prairie's tariff disability in 'terms of money'. At last we have an Account Rendered; we cannot accept its figures; we shall submit evidence of needed corrections, we shall claim deductions, and we shall indicate the nature of certain counter-accounts; but, once the Account Rendered has been properly audited, we shall have gone a long way toward establishing the unity of the provinces within Confederation.

"And now may I turn to a critical and I trust, not unfriendly, examination of the Account rendered on Tariff Policy. At the outset, perhaps, I ought to confess that, at one time, I was a Member of the House of Commons and held some rather strong views on tariff matters. As I think of it, I used to express my views rather definitely. If I had been a lawyer and gone to the bench, probably, I should have divested myself of views on the subject; but, as it is, I was quite upset on reading Manitoba's brief to find anyone, except a hardened protectionist, arguing that it is cheaper to buy in a country of high protection than in a country of less protection. If the thing were true, then it seems to follow: if we were only to put our tariff high enough, and hold it long enough, everything would come right in the end. However, I felt better over my own tariff tenets when I was told that most of the goods priced in the two countries were set down as cheaper in the United States just because proper allowances had not been made for the different incidence of sales-taxes on prices.

Frankly, I am not prepared to say what deduction is to be made from the Account Rendered by reason of this particular omission; I have been told it amounts to 75 p.c. but hesitate to press the figure for it is hard to believe the economists retained by the Regina Conference would have built so elaborate a structure on such a frail foundation. However, the amount of the deduction, on this account can be determined precisely when the itemized statement is completed.

And the items are not complete. When a grocer renders accounts he is invariably meticulous about the accuracy of his entries; for, of course, a sum total is no better than its parts. Apparently the

"economists of the Regina Conference were not so particular about their arithmetic; in fact, one would almost conclude they had written down the amount of the claims and then, as an after-thought, thrown in some details; for we are naively told by the economists {if any particular item is challenged, our attempted moderation elsewhere should support the validity of the total calculation.'

That statement would arouse the suspicion of the most trustful man in the world; it is precisely as if the grocer were to add a postscript to his bill saying, if he had charged too much for the olives his attempt at moderation with the caviar should support the validity of the bill rendered.

And on that sort of calculation this country was disturbed one morning by headlines that the Prairie Provinces, before this Commission had claimed disability of \$47,000,000 on one count and \$58,000,000 on another count; and the claims were said to be abundantly backed by details (and for good measure by two or three American economists). At once our own statisticians proceeded to check the Account Rendered for, as I have already pointed out, it was argued that, as a result of the West's disability, there should be a rearrangement of finances which, in effect, would entail this province in a substantial loss of revenue. That audit has not been completed; but the partial results have been so startling, that I desire to lay certain matters before this Commission and do so, in a desire of receiving, rather than of giving information: I shall set down the requests seriatim:

1. I have already mentioned the effect of the sales-taxes on the prices of the two countries.

"Because the Federal sales-tax applies equally to all the provinces, no special disability can be claimed under it; and the public is entitled to know the effect on the sum total when the adjustments are made.

2. There is evidence (I regret to say) that the disparity in prices between Canada and the United States has been swelled by a comparison of 'unlike' things. Of course the thing may have been the result of inadvertence but surely, even lack of intention, in an account of such consequences, is not a 'good excuse'. I mention washing machines, tubes and tires as articles at present under suspicion. The amount involved in these items alone is substantial even when part of a sum total amounting to \$58,000,000.

3. Just why a claim of provincial disability should have been made, under Tariff Policy by the West, for coffee, oranges, raisins and prunes is not apparent. Surely, tariff duties on exotic goods affect us all alike, and if there are differences in prices between the several provinces, they are the unavoidable result of transportation. Duties on goods, not produced in Canada, are for revenue, or quite often, parts of an arrangement, under Imperial Preference, designed to press the sale of our products abroad (usually wheat).

4. Inasmuch as the claim of disability over retail prices is on provincial account, and not on consumers' account, quite evidently, a deduction should be made for that portion of the retail prices expended in the Prairie Provinces e.g. transportation, advertising, general mercantile costs and merchants' profits. Our investigators have not arrived at a final figure in

"the matter but they suggest 'the spread' is about 40 p.c.

5. When goods are dearer in the United States than in Canada the 'excess' is made the subject of claim; when goods are cheaper in Canada allowances are apparently not made; and the list of goods cheaper in Canada is a formidable one, including several of the important farm implements; woollen goods (which so largely make up the cost of clothing in western Canada) nearly all the items of food (away from the exotic foods) and most of the items in the building classification.

6. Perhaps, the most amazing feature of the Account Rendered, at Winnipeg, is the claim of the Prairie Provinces for compensation on their own production. Imagine, if you can, sir, a province (for instance, Ontario) presenting a claim, on tariff grounds, for every bag of cement produced and consumed in the province. Whatever the consumers have to say as to the price of cement, surely, the provincial government has no claim for compensation; and yet, Manitoba makes that precise claim. The Prairie Provinces, in the matter of cement are better off than Quebec and Ontario, for they not only produce their own cement, they supply the coal which enters so largely into its cost of production - - and claim 40¢ a bag on it, as 'compensation'."

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Here, sir, is a source from which we would claim heavy deductions from the Account Rendered by the Prairie Provinces:

Motor fuel is a substantial item in the expense of the merchandised farm. The prairies use about 16,000 barrels of motor fuel a day and, in 1937, the prairies refined about 11,000 barrels a day; and now (in 1938) the West is looking for outside markets. I shall not set down the annual hundreds of thousands that the West claims for sugar; and supplies a large portion of its own wants. Manitoba is celebrated for its harness-makers; but claims compensation on harness, 'without collars and with breeching' because someone says it is cheaper in Minnesota. The economists set down a charge of \$1.50 per year on harness, multiply it by 290,000 farms and then double it to take in the urban population - and present the bill to the rest of us. Mr. Chairman, there are many millions, over a long list of commodities, in that Account Rendered for \$58,000,000 that were put there on the very same unreason.

Although we cannot longer ask for deductions from the Account Rendered for, according to our figures, there is nothing left, I cannot pass on without drawing your attention to two specific lessons that are to be drawn from the matter in hand:

First. It would have been better to discuss provincial relations in Conference, rather than by trying to 'make cases' before a Commission. As it is, the account rendered at Winnipeg was broadcast across Canada, as a piece of economic injustice to the prairies (established by sober

calculation of the statisticians). Over a conference table set for Ten, Manitoba's tariff brief would have been disposed of in the course of minutes as a bit of political arithmetic awry with reality.

Second. However, when one turns things over most of them have a brighter side and, even the charge of the Prairie Provinces for disability on their own productive energies has its bright side; it confirms the opinion I expressed a while back that the West may retrieve the ill-fortunes that came to it with the fall of the wheat market. For, the Account Rendered reminds us that the West has already gone far enough to prove it can go still further with industrialism. Already Winnipeg is Canada's fourth city of industrial importance and the Prairie Provinces have about a fourth of Canada's total population. In confirmation of the West's industrial headway, may I cite two extracts from a review of the subject by the Bureau of Statistics:

'The War exercised a profound and far-reaching influence upon Canadian manufacturers and the western provinces, notwithstanding their greater interest in agriculture, shared in the general stimulation. The inflation of the war and post-war period led to unprecedented figures of value produced.'

'Expansion was halted by the post-war depression 'but soon resumed its course', the gross and net values of products reaching a higher point in 1929 than in the post-war boom of 1920, although the prices of manufacturers' goods had dropped about 41 p.c. in the intervening period. A noteworthy

feature of the nineteen-twenties was the increasing industrialization of the West, the Western Provinces experiencing a proportionately greater expansion than the main manufacturing provinces of Ontario and Quebec.'

And now may I remind you of the Forgotten Elements of our chronic controversy over tariffs. For years we have be-laboured the issue and almost invariably forgotten that trade flows East as well as West. Western people not only buy from Eastern Canada, they market goods to the value of millions a year in Eastern Canada. True, they market mostly foodstuffs and primary products; but they market them under the shelter of the tariff.

I shall mention some items, but only for purpose of illustration, and without any attempt at computing the total volume of east-bound, inter-provincial trade. Indeed, a precise calculation is probably impossible. Before Confederation, the figures of inter-provincial trade were recorded; after Confederation, the practice was dropped as unnecessary, because our fathers believed the country was headed towards nation-hood; and it is a primary economic requisite of nationhood that there shall be free trade within national lines of boundary. Under the thrusts of the Regina Conference we have learned something about our purchases from the prairies; but I cannot tell you, for instance, the exact value of the wheat and bread-flour the prairies supply for the consumption of Eastern Canadians. However, I venture to say; it exceeds the value of the farm implements which the

East ships to the West. Moreover, the rate of duty on wheat against the United States is twice the rate of duty collected on implements from the United States. (And there is trade across the southern boundary in wheat, flour and implements.) Personally, I am not for relying upon the Soviets for our daily bread but I observe the British of the Isles buy wheat from the Soviets; and I am told Soviet wheat contains bread-making qualities, competitive with our own. The Canadian duty against the Soviet's wheat is 30¢ a bushel, a prohibitory one.

Western Canada has butter for sale; and Eastern Canada buys most of its surplus. In fact, the West, has much butter, having increased its production nine times in the first 33 years of the Century. The annual sales for consumption in Eastern Canada are valued at more than \$5,000,000 a year.

And now for a tariff implication - an amazing story of inconsistency; the great Dairy Pools of the Prairie Provinces, in 1936, sent representatives to the Tariff Board to plead for 'an upward revision of duty on butter', and the duty on butter was made practically prohibitory away from New Zealand. The amount of importation from New Zealand is under governmental regulation. Having secured that protection, the Prairie Provinces sent representatives, in 1937, to the Regina Conference for the specific purpose of claiming disability and demanding compensation under Tariff Policy.

Eggs! Western Canada raises almost 40 p.c.,

of the poultry of the Dominion and last year, according to our estimates, sold 22,019,000 dozen eggs and 16,899,000 pounds of chicken, valued at about \$10,000,000 in Eastern Canada. Mr. Chairman, under the circumstances, I almost regret to tell you (but not quite) that, in 1930, the Poultry Pools of the Prairie Provinces also appeared before the Tariff Board asking for 'upward revision of the tariff on eggs.' Certainly the West has given, in its tariff-attitude, a remarkable exhibition of choosing the side its bread is buttered on.

Western Canada marketed in Eastern Canada 113,000,000 pounds of pork last year (valued at \$13,627,000) and 115,000,000 pounds of beef and veal (valued at \$8,000,000). The advalorem rate on pork is low, about 13 p.c., the advalorem rate on beef and veal, at present prices, runs over 60 p.c., (and that rate seems high). At first, I confess, I thought the protection on beef and veal was ineffective, until I was reminded of Argentina's shipments to the United Kingdom, and our own interest in securing north-bound traffic that the Argentine may buy our factory products in greater volume. The old motto of 'buying from those that buy from us' has wide and diverse application."

May I digress for one moment from the brief to refer to a memorandum which was sent to me this morning by an official of the Liquor Control Board. I was amazed to find that Manitoba, low-tariff Manitoba, undertook by regulating prices to ban the import of beer from this province, and free-trade

Saskatchewan by a prohibitory enactment has banned the importation of beer from Ontario entirely.

"Saskatchewan has more horses than people and ships horses to Ontario. The West does not seriously try to tan its own hides, or weave its wool; and markets most of its hides and calfskins and some of its wool with us at an annual turn-over of several more millions. While the West has substantial industrialism, its official pride is in primary production. I shall not try to read the West a lesson in economic policy; but I sometimes think, if the millions of state-funds, (provincial and federal) expended on wheat-seed that blow away, had been put into mills, and factories, the West would have been able to clothe itself and provide most of the goods of life.

Whatever the merit of the case against the tariff you will not find it in the brief of the Regina Conference. The long-drawn cry of 'Eastern Exploitation' lost its savour the moment it was converted into 'terms of money'. Personally, I confess I thought the West had some grievance, but began to suspect there was deep-water in sight when the economists introduced their items for the Account Rendered with the statement:

'No claim is made for its accuracy other than what ordinary common sense and objectivity can provide'.

Well! Mr.Chairman, I have already confessed, I am not deeply versed in the technicalities of monetary economics, and I have not kept abreast of the tariff; but I am strong for 'ordinary common sense'. However, I am not always at peace with my

neighbors on the subject, for I am constantly differing with people as to what ordinary common sense is. And I am even in disagreement with the economists of the Regina Conference when they complain about an 'excess price' of washing machines amounting to \$79.50 apiece, and say that the average household eats 25 pounds of raisins and 30 pounds of prunes a year; I am in disagreement because my brand of common sense tells me that, either the figures are wrong, or the people are all right; at least better off, than the people with whose public affairs I am largely entrusted.

Mr. Chairman. The balance of loss and gain between the provinces 'in terms of money' is not to be determined by taking only monetary and tariff policies into account. Other money-adjustments have to be made to determine the economic relations between the provinces. If it is the intention of this Commission to check the Account Rendered, this government will ask for the inclusion of certain other matters bearing upon provincial relations including:

1. The distribution of federal expenditures for railways on a per caput basis by provinces.

2. The country's annual burden for the Hudson Bay Railway, which, with terminals, cost well over fifty millions; and it is not to be forgotten that the railway was built exclusively for the benefit of the West on a plea of disability in shipping its wheat to the world's markets.

3. The relation of domestic and export rates on the rail haul of wheat from the prairies to sea-

board and (following the method adopted by Manitoba in determining 'excess' prices) it will be as well to have a comparison of export-rates between Canadian and American railways. By way of illustrating the substance of the account I submit the following extract from Reference No. 84, May, 1936, of the Tariff Board:

'The Canadian Railways admit, however, that the rates on petroleum products are higher in Canada than in the United States but they point out that the Western Canadian farmer pays very much lower freight rates on grain than the American farmer, the difference being approximately 15 cents per 100 pounds or 9 cents per bushel.'

I shall not attempt to compute the 'excess' burden shouldered by the people of the eastern provinces, as a consequence of what I am told are the world's lowest per mile rates on wheat, but multiplying the number of bushels of wheat exported (in even a bad year) by nine cents gives promise of being a substantial sum.

4. The 'tariff disability' of the central provinces in the matter of coal for, although Ontario and Quebec are the largest users of coal, they rely on imports for supply. (The Federal Government's expenditures in assisting the movements of western and maritime coal should be taken into the Account. The Federal Government even assists the shipment of coal between the Western Provinces).

5. The 'special grants' from the Federal Treasury for the production of wheat whether by way of credit export subsidies, grants to the

pools, state aid in marketing wheat, including losses from speculation, and generally the 'compensation' the West has already had from the Federal Treasury.

I mention these matters; I have others on my list; but of course the Province of Ontario has no intention of rendering a counter-account to the other provinces. Statistically speaking, the principle of 'compensation for disability' is a wash-out. Instead of rendering accounts to each other 'in terms of money', or any other terms, we would all be better employed, working together for a greater and safer Canada. The spectacle of the northern half of a Continent in the New World possessed by about eleven million people - and nearly one million who cannot provide for themselves - is not a pleasing one. In the mood of the times, with people in the Old World killing each other off to make elbow-room, it may become a tragic spectacle.

Mr. Chairman, it has not been an agreeable task, this working over accounts presented by sister provinces; in fact, particularly disagreeable in view of the mal-formation of the accounts. Frankly, our first thought was to ignore the briefs of the Regina Conference, but, in view of their wide-spread publication, we decided to make it plain that the professors had left much out of their rendition of the story of the Relations of the Provinces.

The provinces are fiscal entities. No doubt, some of them find it hard to provide out of their own economic resources what the people would like

of social service. The remedy that first suggests itself is amalgamation; I have not dealt with that phase of the matter for an obvious reason.

I can understand why there should be objection to loss of provincial identity. Prince Edward Island! New Brunswick! Nova Scotia! There is a depth of affection in those names so deeply seated in history, it is not to be measured in terms of money'. Set the boundaries of Manitoba, Saskatchewan, Alberta and British Columbia over the map of Europe and you will find they overlap great Empires. Their future is not to be visualized 'in terms of money'. Quebec! Ontario! We have had our differences - grievances, that were not to be settled in 'terms of money'. But we came out of them. Not by the mandate of central authority; we came together through the will of the people of the two provinces, and a mutual affection for one flag over a common country.

The incidents of modern public life are, indeed, complicated; perhaps, particularly so, under a federal system, but surely we shall, sometime soon learn to shape those incidents by a public policy designated to one end; the prosperity of a free people.

During your investigations, sir, you have heard much of the 'social services'; may I suggest, sir, that the need for those 'social services' has come largely through the lack of a national economy that insures a wide distribution of the proceeds of productive effort. The State is largely responsible. The State will pay the penalty with its life - unless it shapes its policy for the profitable employment of the great mass of its

citizens. The government that arranges an economy under which one family out of every ten lives on 'social services' cannot survive; and does not deserve to survive.

The world's economy is never static; it is under constant change; and change, in the form of economy of labour, has come upon us, through the war; and through the depression, with revolutionary force. Can we adapt ourselves to the economic change of the times and still preserve self-government? I resolutely refuse to think otherwise. The federal system, with its balance of powers, was willed to us, less than a hundred years ago; Ontario's Government believes that, with the exercise of prudent economy, the people of the Nine Provinces can be prosperous and still preserve their political heritage.

THE CHAIRMAN: Mr. Hepburn, may I thank you and the Government, for the welcome you have extended to us. And may I thank you personally for the very kind terms in which you referred to me.

We have undertaken a very difficult, arduous and complicated task. We are endeavoring to discharge it to the very best of our ability.

We welcome assistance from all governments and all organizations interested in the problems we have to consider. We therefore welcome the brief you are presenting to us and the other chapters which will follow

There are a number of points in the brief you have read upon which we would like further information. We, however, will follow your suggestion and after we have heard Mr. Walters we will ask certain questions in reference to it, in order that we may obtain the additional

information we require.

There is only one point on which I think I should make an observation, just to prevent any possible misapprehension, and that is in reference to the functions of this Commission. We were not appointed and we do not understand our function to be, to revise the constitution. That is not the purpose for which the Commission was appointed, nor do we intend that to be our object. We are a fact-finding body. It is our duty to investigate, ascertain the facts and make our report. If on the facts as we find them it would appear that there should be some change in the financial relations between the Dominion and the provinces. It is our duty to recommend what those changes should be, but our recommendations must be within the strict limits of a Federal constitution.

You will recall the fourth paragraph of the order-in-council is as follows:

"That the Commissioners be instructed to consider and report upon the facts disclosed by their investigations; and to express what in their opinion, subject to the retention of the distribution of legislative powers essential to a proper carrying out of the federal system in harmony with national needs and the promotion of national unity, will best effect a balanced relationship between the financial powers and the obligations and functions of each governing body, and conduce to a more efficient, independent and economical discharge of governmental responsibilities in Canada."

Any report which we may make will depend for its value on its inherent merits. It may be good or bad, Its value will depend solely upon its merits. The report, of course, must be followed by a conference such as you have

suggested, or some method whereby the Governments of the Dominion and the provinces meet together and confer on those various problems with a view to their solution.

The brief, Part 1, will be filed as exhibit No. 296. By that number of the brief you will appreciate the amount of labour we have had so far.

EXHIBIT NO. 296 - Book I of Statoment by
Government of Ontario.

MR. LANG: Mr. Chairman, in Book II which has been distributed, the table of contents indicates that the next subject to be taken up is the subject of the 'general background'. It has been suggested that it might meet your convenience, if, instead of proceeding with that subject now, we go on with, "The problems of finance and taxation", as flowing naturally out of the presentation by the Prime Minister.

THE CHAIRMAN: That is quite satisfactory, Mr. Lang.

MR. LANG: If that is agreeable, then, Mr. Chester Walters, who is the Controller of Finance and the Deputy Provincial Treasurer will proceed with this item, the "Problems of finance and taxation." Before Mr. Walters begins, I wonder if I might ask whether you would be agreeable to Mr. Walters remaining seated while he makes his presentation.

THE CHAIRMAN: Yes, that is quite all right, Mr. Lang.

MR. LANG: It has been suggested that I might indicate the extent with which Mr. Walters will deal with this subject. I think if we proceed with the main subject under the first item, "The constitutional basis of Canadian public finance," we will use up all of the time which we have to-day, as it is now nearly four o'clock.

THE CHAIRMAN: We normally sit until 4.30, Mr. Lang.

MR. LANG: Yes, I know that, but if that subject is covered, then we will proceed to the next item, "The distribution of Dominion revenues and expenditures by regions."

MR. C. WALTERS, Deputy Provincial Treasurer, was called.

MR. WALTERS: Mr. Chairman and Members of the Commission: I presume it would be satisfactory, sir, if I began to read from the brief and as this matter develops, refer to

certain schedules which will be submitted. Questions will arise which will require explanation; I shall welcome any questions and to the best of my ability, I will answer them, either with the schedules submitted with additional schedules to be provided or with a verbal explanation.

THE CHAIRMAN: Thank you, Mr. Walters.

MR. WALTERS: I hope it is no reflection upon my physical condition that I am allowed to sit down?

THE CHAIRMAN: We cannot refuse any request which Mr. Lang makes, you know.

MR. WALTERS: I might say, at the outset, sir, that there is beside me Professor K. W. Taylor, Professor of Political Economy at MacMaster University, who has prepared the schedules and is in advance of the printer. He will assist me in finding those schedules until we get them into some form.

MR. LANG: Might I explain, before Mr. Walters, proceeds, that we apologize for the lack of those schedules, Mr. Chairman. The printer has been very slow, but there are a few here now. The rest are supposed to be here in a moment and it may be that they will not be needed this afternoon. I am hoping they will not be needed, but we have three copies with Mr. Fowler now.

MR. WALTERS: I shall commence the reading of book number two at page fourteen.

"Public Finance comprises revenue, expenditure and debt. The powers of the respective governments in these matters are prescribed by the British North America Act and have, in the course of years, received elaborate interpretation by the Courts.

It is doubtless unnecessary to recall to the Commission the details of the provisions and the

"complexity of the interpretations. In summary form it may be said that the sources of the revenues of the province, apart from the net revenue from government owned enterprises are to be found chiefly under the following sections of the British North America Act:

Section 92 (2)--Direct taxation within the Province;

92(3)--The borrowing of money on the credit of the province;

92 (5)--The management of Public Lands,

And under this, I presume, would come such things as the operation of the T. and N.O.

92 (9)--Shop, saloon and other licenses;

109 --The ownership of Natural Resources

118 --Federal subsidies.

"These sources of revenue are limited by section 90 (the federal power of disallowance), section 121 (the provision for interprovincial free trade), section 125 (the exemption from taxation of Dominion and provincial property), and by the sweeping terms of section 91 (3) which gives to the Dominion power to raise money by any mode or system of taxation.

The sources of Dominion revenue arise chiefly out of:

Section 91 (2)--The regulation of trade and commerce;

91 (3)--The raising of money by any mode or system of taxation;

91 (4) --The borrowing of money on the public credit;

91 (5)--The postal service;

"91 (14)--Currency and coinage;

91 (15)--Banking and the issue of paper money;

91 (20)--Legal tender.

"The adequacy of sources of revenue can be considered only in relation to the spending functions of governments.

The principal spending functions assigned to the province are:

The management and development of the Public Domain;

Prisons and reformatories;

Hospitals, Asylums, Charities and Eleemosynary institutions;

Municipal institutions;

Public works of all sorts (except those assigned to the Dominion);

Property and Civil rights;

The administration of Justice and the maintenance of the Courts;

Education;

Agriculture;

The principal spending functions assigned to the Dominion are:

Defence:

Navigation and shipping;

The postal services;

The services of the public debt;

Interprovincial railways and canals;

Such other public works as may be declared to be for the general advantage of Canada.

It was expected and intended, and for a full generation it was a fact, that the federal subsidies and the revenues of the Public Domain would provide

"a sufficient revenue for the province. But thirty years ago or more changes in the conception of the functions of government profoundly altered the balance between spending functions and sources of revenue. The duties assigned to the province, which, under the simple social theory of the 19th century had been minor and inexpensive, have assumed a large and rapidly increasing importance."

I should also like to submit, sir, that in a new country, before production becomes general, there is not the great inequality of distribution of wealth which you have in a more highly organized society such as we have to-day. I think that particular factor has brought about the necessity for transference of purchasing power through the introduction of progressive taxation.

Continuing to quote from the brief:

"Between 1870 and 1900 the per caput expenditures of both the Dominion and the province doubled. But between 1900 and 1937 (notwithstanding the War, the railway problem and the Dominion's assumption of part of the costs of relief) the per caput Dominion expenditure only a little more than quadrupled; while the per caput expenditures of Ontario increased more than thirteen-fold.

Any system of public finance, of taxation and expenditure, involves transfers of purchasing power. Governments collect money from one group of individuals and pay money to others and, of course, overlapping groups of individuals. These transfers can be considered as between economic classes or groups, or as between geographical areas. In this section we estimate the transfers between geographical areas arising out of the Dominion system

"of public finance.

An estimate of the distribution of the burden of taxation requires some estimate of the final incidence of each type of tax. The incidence of any given tax varies to some extent with differences in the local or regional economy and in different stages of the business cycle; but the broad principles of incidence are reasonably well established, and will apply over any reasonable length of time.

The geographical distribution of the collection of Dominion government revenues has been estimated on the following bases:

1. Consumption taxes, i.e., customs, excise and sales taxes, are assumed to fall ultimately on the consumer, and have been allocated in proportion to the recorded value of retail sales in each region. It is generally agreed that in the long run consumption taxes rest on the consumer. Over shorter periods of time, however, they may be passed on by the original taxpayer only in part, or they may be passed back to wage-earners, to suppliers of raw materials, or to other elements in the cost of production. This is most likely to happen in the case of goods of relatively elastic demand and especially in periods of falling prices and declining business activity. When the rate of such taxes is sharply increased in a period of declining business the probability of the absorption of the tax by the manufacturer is very greatly increased. It is reasonably certain that in the years 1930 to 1936 a large part of the sales tax, and to a lesser extent of the customs and excise taxes, was not passed on to the consumer, but was either absorbed by the manufacturer

"or shifted backwards to the more flexible elements in the cost of production."

THE CHAIRMAN: Mr. Walters, upon what is that conclusion based, is it based upon figures which you show us, or is it a general argument?

MR. WALTERS: I think I could substantiate it with figures, but I may give you an illustration. A time of declining prices might find one manufacturer with an empty warehouse and another with his warehouse crammed to the attic. Number two manufacturer has to meet the competition of number one, although he has paid certain consumption taxes, such as rates of duty and sales taxes. He has to meet the competition of the man who replenishes his store under different fiscal conditions.

THE CHAIRMAN: Of course, he has to reduce his price to meet that competition.

MR. WALTERS: Or keep his goods, and in that instance, number two manufacturer has paid the sales tax.

COMMISSIONER DAFOE: That is the case where the sales tax is decreased and it catches one man with a full warehouse and another man with an empty one.

MR. WALTERS: That is the reason that ^{the} budgets brought down by the Minister of Finance at Ottawa are secret or are supposed to be. At a time of declining markets, this condition inevitably follows.

Continuing to quote:

"Consumption taxes levied on 'capital goods' are also unlikely to be passed on to the ordinary consumer in the short run periods of stagnant business. In other words, the assumption that all consumption taxes were born in proportion to the value of retail sales in each area substantially over-estimates the share collected, say, the Prairie provinces, and

"substantially under-estimates the share borne in Ontario. (It is admitted that customs collections may not measure the full costs of a tariff system, but this section is primarily concerned with estimating the amount of 'transfer' directly out of the Dominion system of public finance. The broader issues of the tariff question are discussed more fully in another section)."

Later on, these fine points will be dealt with by Professor Taylor.

"2. Income taxes are not shifted, except in very unusual circumstances. The final incidence of the personal income tax is on the person who pays the tax. The final incidence of the corporation income tax is on the shareholders, and occasionally on other investors in the corporation. The burden of the corporation income tax on Ontario is over-estimated if, and to the extent that 'foreign' shareholdings of corporations with headoffices in Ontario exceed Ontario shareholdings of corporations with headoffices elsewhere.

3. The Gold tax (a small item in the years 1935 and 1936), is distributed in proportion to the production of gold in the several provinces.

4. All other Dominion revenues (excepting the Post Office which is excluded from both the revenue and expenditure figures amount to a figure that is from 6 to 8 per cent of total Dominion revenues--"

These would not alter the general picture because their proportion is almost negligible.

"--and these are allocated in proportion to the net value of production in each geographical region.

"The above bases of allocation yield the following results: For details see Appendix--Table 3."

(Page 7463 followx)

MR. WALTERS: This Schedule deals with tax revenue, and you have the percentages down below.

THE CHAIRMAN: What page is that?

MR. WALTERS: This is in Book No. 3, Table No. 3, which follows page No. 22, Mr. Chairman. It will be observed, Sir, that these geographical zones have been grouped into the Maritimes, Quebec, Ontario, the Prairie Provinces, and British Columbia. In 1928-1929, first I will take the Customs, on the basis that I have just set out, the tax collections arise in the following proportions: \$12.2 in the Maritimes, - this is millions of dollars; \$41.0 in Quebec; \$73.2 in Ontario; \$43.8 in the Prairies; and \$16.3 in British Columbia. The total, 187.2 millions in the Dominion of Canada, including the Yukon District.

THE CHAIRMAN: Mr. Walters, that is on the basis of retail sales?

MR. WALTERS: This is on the basis of the retail sales.

THE CHAIRMAN: It is all right, I just want to have it clear in my mind.

MR. WALTERS: Of course, some of the others, the income tax, - the incidence of the tax is on the taxpayers, and they are taken from the area from which they are collected. Then in the boom years, 1929-1930 the figure is constant in the Maritimes, 12.2, Quebec 41.1, Ontario 71.1, Prairies 38.9, British Columbia 16. Total collections, 107.4 millions. You all have the schedules, I do not think you want me to read all these figures.

THE CHAIRMAN: No, it is just if you wish to comment and draw our attention to any particular items in contrast that you think important.

MR. WALTERS: Now, there is not much change, - I am taking the first year, the worst year of the depression, if I may, 1932-1933, because that takes in the bottom of the depression, - January, February, and March, 1933, in the

Maritimes the total collection of 5.1 millions, Quebec 17.1 millions, Ontario 28.8 millions, Prairie Provinces 13.1 millions, British Columbia 6 millions; and the total customs collections in that fiscal year were 70.1 millions. Now, there was not much change, - I will read the 1936-1937 figures, that is the last fiscal year but one, ending 31st. of March, 1937, the Maritimes 6.3, Quebec 18.9, Ontario 34.8, Prairies 15.8, British Columbia 7.9, and the total 83.8 millions. That is the total customs collections.

THE CHAIRMAN: Mr. Walters, I was in error, I thought you were endeavouring to arrive at the amount paid by the people of each province for customs tariff on the basis of the retail sales in the province. I judge the figures you are giving us are the actual customs collections in these groups?

MR. WALTERS: No Sir, I am trying to allocate as nearly as possible the incidence of the tax burden in the different geographical areas.

COMMISSIONER DAFOE: How do you sort out the imported goods from the general mass of retail sales, - by percentages?

MR. WALTERS: You mean, if it is to classify the types of goods? We do not attempt to do that. I quite understand that certain goods were repeated several times over and goods may be transported from one province to another, for partial manufacture in Canada.

THE CHAIRMAN: How do you get at these figures? Would you just explain the process. For instance, the Maritimes, what is the process by which you arrive at that figure, 12.2 millions in 1928-1929?

MR. WALTERS: We first take the total customs collections and we allocate it. I think perhaps Professor Taylor could tell you more briefly than I can.

PROFESSOR K.W. TAYLOR: Mr. Chairman, the method of allocation is to allocate the net customs collections by the

Dominion Government to the various areas in proportion to the reported value of retail sales. That is, the assumption is that a consumption tax is borne by the ultimate consumer, ordinarily. For example, in 1928, 6.5 per cent of all the retail sales recorded by the Bureau of Statistics, census of retail merchandising, - 6.5 per cent of the retail sales were made in the Maritimes. We therefore allocate to the Maritimes 6.5 per cent of the consumption tax, - customs in this particular case. 12.2 millions is 6.5 per cent of 187.2 which is the total customs collections.

THE CHAIRMAN: Have you anywhere allocated it per capita?

PROF. TAYLOR: In the tax collection?

THE CHAIRMAN: You put this allocation for 1928-1929 at so much for the Maritimes, Ontario and Quebec; how does it work out per capita?

PROF. TAYLOR: That is a matter of arithmetic, Mr. Chairman, which we can work out. We have worked out the per capita tax burden, but not these separate consumption taxes.

THE CHAIRMAN: It might be due to the fact that one province was able to purchase and did purchase more than another; it may be due to the purchasing power, in a measure, in the different provinces; and it may be a per capita distribution would show approximately equal purchasing power for all the provinces. I was just wondering what it would be.

PROF. TAYLOR: That is probably the point there, Sir, that as the purchasing power goes down the burden of the Dominion tax goes down; that is, the customs and sales tax and excise tax, the real burden only falls on each area in proportion to the consumption. That is, the consumption that passes through the ordinary channels of trade.

COMMISSIONER DAFOE: You assume the ratio between im-

ported goods and goods of home production is pretty constant throughout all the areas of Canada. Obviously, if one province's retail sales consisted entirely of imported goods, or a very large percentage of imported goods, these figures would be out of line?

PROF. TAYLOR: Yes.

COMMISSIONER DAFOE: You make that assumption?

PROF. TAYLOR: Yes, it assumes they are approximately even.

MR. WALTERS: It would also be effected if one province got in raw materials and another province manufactured too.

The next item, of consumption tax, excise, the same method of allocation has been taken. I do not know, Mr. Dafoe, do you think the same objection would apply there? The same argument that you raise there would not so likely apply on excise, - on goods subject to excise tax as the customs tax.

COMMISSIONER DAFOE: No, perhaps not.

MR. WALTERS: However, this is the method adopted, and I suppose if any method adopted, so long as it is clearly understood - -

THE CHAIRMAN: Yes, all we want is to understand it, Mr. Walters, so that we will follow your argument.

MR. WALTERS: It is uniform throughout. The excise tax, I will take the first year, 1928-1929, the collections in the Maritimes is 4.1, - speaking in millions still, Quebec 14.1, Ontario 24.9, Prairies 14.9, British Columbia 5.5, out of a total of 63.7 millions. 1929-1930, Maritimes 4.4, Quebec 14.9, Ontario 25.7, Prairies 14.1, British Columbia 5.8, a total of 65. There may have been changes in the rates there.

THE CHAIRMAN: Mr. Walters, under excise you include both excise duties and excise tax?

MR. WALTERS: No, Sir, excise taxes are shown below, the next caption down. In the years 1933-1934, the same ones

to which I refer in the customs, the revenue from excise in the Maritimes was 2.6 millions, Quebec 8.4 millions, Ontario 14.7, Prairies 6.6, British Columbia 3.1, a total of 35.5 millions. Then in the last fiscal year but one the Maritimes 3.4, Quebec 10.4, Ontario 19.1, Prairies 8.7, British Columbia 4.3, out of a total of 46 millions.

THE CHAIRMAN: What inference do you draw, Mr. Walters, - take Ontario and Quebec, where the population is not so dissimilar as these figures would indicate on a per capita basis, take 1928-1929, 14 and 25, the population of the two provinces does not stand in that ratio. What deduction do you draw from it? That more is paid in Ontario than in Quebec?

MR. WALTERS: Well, there may have been many causes; the administration of the liquor laws would make a great difference, to begin with. You are very familiar with that in your customs enquiry, - the Royal Commission on Customs. I think that would be one of the big factors there.

THE CHAIRMAN: In the customs, 1936-1937, Quebec is 18.9 and Ontario is 34.8. That would make quite a per capita difference, taking the population of the two provinces. I was wondering what deduction you draw from that. What is the significance of it?

MR. WALTERS: I think one deduction is this: The purchasing power, perhaps, of the two provinces, being greater here than it is in the Province of Quebec, or vice versa. But it depends upon the purchasing power, either of the resident population or the tourist population.

THE CHAIRMAN: That would appear to me to be a natural deduction, but I did not know whether that is what you had in mind.

MR. WALTERS: I think our population is more urban than theirs.

PROF. TAYLOR: I might add, Mr. Chairman, the incidence

of a peasant economy, - that is, of a farming economy, - which does not get its commodities by buying them in a shop; there is probably more of that in Quebec than there is in Ontario, and I think, if I may say, the tourist expenditures are extremely important, the volume of retail trade in Ontario.

COMMISSIONER MacKAY: Do you think that method of distributing the tax, according to the recorded value of retail sales, is fair when you consider such a thing as a sales tax, where the tax is paid largely by the manufacturer?

MR. WALTERS: It is difficult to find a test that will stand up.

THE CHAIRMAN: You are doing your best to try and work out some test that will give the best basis for comparison.

PROF. TAYLOR: I might just add a word, there are certain statistical refinements which one can suggest, but we here in Toronto have not the facilities for statistical information that there is available in Ottawa. I should suggest, for example, you might modify the retail sales by construction contracts awarded, but we were unable to get adequate series of construction figures broken down by areas here in Toronto. I understand they may be available for some of the Departments in Ottawa. It is possible, for example, you may have to break down retail sales a little bit to include the importance of tax-exempt commodities, but I have been over the case very carefully with various authorities, and this was the best and most substantial basis of allocation we were able to arrive at.

COMMISSIONER MacKAY: They might not stand up under any particular tax, but you think that over the whole field of taxation it is relatively fair?

PROF. TAYLOR: Yes. It would be very silly to take the tax on some particular type of automobile tire and allocate it on the basis of general retail sales, but I per-

sonally feel reasonably certain, - and I do not know of any better way of allocating it, any fairer way of allocating it.

COMMISSIONER MacKAY: When you take the whole field?

PROF. TAYLOR: I think you can break them up into consumption tax and certain other types of tax, but taking consumption tax as a group I think that can be allocated fairly. For example, in alcohol excise, undoubtedly if there is a substantial variation in liquor consumption per capita between provinces, a difference in retail sales, - there is a little error there, I may say. I am sorry I have not the figure here, but I made a test for one year, so to speak, the best I could, and we were out only in the decimal places, compared with retail sales.

COMMISSIONER ANGUS: Do you think in the case of the customs duties, which you are comparing, that it is possible some parts of the country use a higher proportion of foreign goods than others?

PROF. TAYLOR: It is possible. I am not quite sure what apparent inference from that follows. I can imagine in certain parts of British Columbia, where there is a very large English population there may be a larger proportion of English types of goods sold there than in perhaps certain other parts, - the Province of Quebec, for example, where there is no large carry-over of taste.

COMMISSIONER ANGUS: Supposing that would be dutiable, would that mean British Columbia, according to this type of calculation, was paying a higher proportion of the customs duty than if it bought in Canada?

PROF. TAYLOR: You mean if British Columbia, on the whole, prefers imported goods to Canadian goods?

COMMISSIONER ANGUS: Yes.

PROF. TAYLOR: Yes, if there is any marked difference in the consumption of imported as against domestic manufacture goods.

COMMISSIONER ANGUS: For the sake of argument, assume they use more small English cars.

PROF. TAYLOR: Are the English cars dutiable?

COMMISSIONER ANGUS: Yes, I think so. What you proportion is the actual tariff collected, - the actual revenue of Canada, not the increase in price to consumers arising from the tariff?

PROF. TAYLOR: Well, we are allocating the actual revenue; we are not trying to measure tariff burdens by themselves.

THE CHAIRMAN: It is now 4.30; we will continue this interesting discussion at 10.30 in the morning.

At 4.30 p.m. the Commission adjourned to resume at 10.30 a.m. Tuesday, May 3rd, 1938.

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF HEARINGS

MAY 3 - 1938

REPORTERS:

George Thompson
John Robertson
David Torry



TORONTO, ONTARIO, MAY 3, 1938

REPRESENTATIONS BY THE GOVERNMENT OF
THE PROVINCE OF ONTARIO

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TORONTO, ONTARIO, MAY 3, 1938

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

 TORONTO, ONTARIO, MAY 3, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Parliament Buildings, Toronto, Ontario, on Tuesday, May 3, 1938 at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFOE, Esq.)	
DR. ROBERT ALEXANDER MacKAY)	Commissioners
PROFESSOR HENRY FORBES ANGUS)	

Commission Counsel:

Louis S. St. Laurent, K. C.

Secretariat:

Adjutor Savard, Esq.	Acting Secretary
R. M. Fowler, Esq.	Legal Secretary to the Chairman
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE GOVERNMENT OF ONTARIO:

Hon. G. D. Conant, K.C.	Attorney-General
Hon. T. B. McQuesten, K.C.	Minister of Highways
Hon. Paul Leduc, K.C.	Minister of Mines
Hon. Eric W. B. Cross, K.C.	Minister of Municipal Affairs
Hon. Colin A. Campbell	Minister of Public Works
Chester Walters, Esq.	Comptroller of Finance
	Deputy Provincial Treasurer
Professor K. W. Taylor	Counsel
D. W. Lang, Esq., K.C.	Assistant Counsel
Joseph Rosenfeld, Esq.	

Parliament Buildings,
Toronto, Ontario,
May 3rd., 1938.

MORNING SESSION.

The Commission met at 10.30 A.M.

THE CHAIRMAN: Mr. Walters, we were discussing those interesting figures when we adjourned last night.

MR. WALTERS: Mr. Chairman and members of the Commission: We were discussing the distribution of dominion revenues and expenditures by regions. We were at page 16 in book No. 2 and we were dealing with the schedules, Table No. 3 in Book No. 3. And in order to take up the thread of the narrative where we left off last night, I should like to ask your permission to have Professor Taylor deal just briefly with the difference between excise and customs taxes and clear up, if it was not made thoroughly clear, this allocation of the consumption taxes on the basis of retail sales.

THE CHAIRMAN: Thank you, we will be glad to hear Professor Taylor.

PROF. TAYLOR: Your Lordship and members of the Commission: Perhaps I might just gather up the threads by explaining, in the first instance, the purpose of this section.

We are trying in this section to show what part or what proportion of the Dominion revenues come out of or are borne by the people of Ontario over the past ten years. We also go on to estimate the transfers of income or transfers of purchasing power which arise out of the operation of Dominion public finance, out of the collection of revenue and expenditures of the Dominion government. As I said yesterday afternoon it is in no sense an attempt to measure the burden of the tariff or anything of that sort. It is purely a method of indicating a necessary line of inquiry, we believe, to measure the incidence of Dominion taxation and the effects of Dominion expenditures.

COMMISSIONER ANGUS: Can you always separate the incidence of taxation and the **burden** of the tariff? I am not discussing the burden of the tariff now, but take for instance the consumption of sugar. The people who buy cane sugar pay perhaps more Dominion taxation than those who buy Canadian-grown sugar, but are not really all consumers of sugar in much the same position in contributing some cost to national services and policies?

PROF. TAYLOR: Yes. I think there are, however, two questions. The question we are trying to answer is this: I can perhaps put it this way, that in 1936-37 the Dominion Government collected some \$411,000,000 of revenue. The collection of that ~~sum~~ of money involves both direct and indirect effects. For the moment I want to deal solely with the direct effects. In other words, upon whom or on what groups did that burden of \$400,000,000 fall?

I agree of course, that any government expenditures, any government revenues have very far reaching indirect effects. We hope and expect to deal with that broader question a little later in our statement but for the moment I am trying to confine myself to measuring the direct and immediate results of the operation of the Dominion system of public finance.

Take for example the consumption taxes we were speaking of yesterday afternoon. The Dominion Government collected last year, in the year 1936-37 some \$84,000,000 in customs revenue. The question we asked ourselves was how that \$84,000,000 ought to be distributed over the various provinces or economic regions in Canada.

Now, there are at least three ways in which you could distribute that \$84,000,000. You could, of course, distribute it on the basis of where it was collected. Those figures are available of course from the Auditor General's

report. It could be shown by the provinces, and that would show, I may say, that Ontario paid in that very immediate and direct way very much more than our estimates show.

THE CHAIRMAN: Of course, that would not be a fair measure.

PROF. TAYLOR: I am inclined to agree, sir, although I noticed that was the measure used by British Columbia in their brief.

If you come away from the customs duties to excise tax, the distribution according to the point where they are actually collected is even more extreme.

The second method that might be used to distribute this sum of \$84,000,000, of which I am speaking, customs duties, would be on a strictly per caput basis. It seems to me that is not a proper nor a defensible measure of distribution.

In the first place there are very great variations in the standards of consumption between different parts of Canada. For example, if you were to break it down still further and take a tax on sugar or tax on tobacco, I think it would be quite clear that you would allocate it on the basis of consumption. The people who pay the tobacco tax are those who consume, who use tobacco. It seems to me therefore that a division on a purely per caput basis is open to very obvious and disabling objections.

Another reason why the per caput method of distribution, in my opinion, would not be satisfactory is the variation between different parts of Canada in the consumption of what I might call family produced goods, which are of course untaxed. The farmer who consumes and uses goods produced on his own farm pays no tax, of course, on those particular goods. And in my opinion we have no actual figures of it. There would be considerable variations between different parts

of Canada in the proportion of the total goods consumed which are untaxed because they were produced by the family community itself.

It seems to me, therefore, that consumption taxes have to be allocated on the basis of some adequate measure of consumption, and the only satisfactory measure we have in Canada, and a measure which I think is very satisfactory, is the record of the value of retail sales which is prepared under the census of merchandising by the Dominion Bureau of Statistics. These figures are almost unique in the English speaking world, I believe. There are such figures for some parts of the United States. They are a very good index, a very good measure of the relative volume of consumption in the different areas of Canada.

As I said yesterday afternoon, certain refinements might be added, such as adding to consumption the value of buildings, and perhaps some deductions for the sales of untaxed goods. As I said in answer to a question yesterday afternoon, we did correct one year for construction contracts awarded, which is not quite the same as actual building operations, and we found it added very slightly to Ontario's share of the consumption taxes.

We, therefore, divide this \$84,000,000 in proportion to the volume of retail sales in each province or in each area.

Perhaps, I should go on to say that that makes two assumptions, to which attention was called yesterday. It assumes that the proportion of taxed and untaxed goods, that is, taxed and free goods, that the consumption of those is equal in the various areas, the proportions are equal. And also the high and low taxed goods are equal. It does not mean, of course, that there has to be a common type of consumption in the area, but it does assume that

the proportions of high and low taxed goods and the proportions of taxable and tax free goods, in the sales tax sense of that term, are substantially the same.

Now, the principal items that are free under the consumption taxes, under the sales tax and under most customs duties, are the ordinary staple foods. The proportionate consumption, that is, the proportion of a family's income going into staple foods which are free very largely of sales tax, and also customs duties, the proportion will be higher in an area where the family income is on the whole lower. That is, when the incomes are proportionately lower a larger percentage of the family budget goes into those types of food, and in an area where family incomes are higher, a smaller proportion of the family's expenditures goes into foods which, as I say, are largely untaxed. In other words, a correction of that sort would in my opinion increase, rather than diminish, Ontario's share.

I mentioned ye terday we did do that for one year in allocating the revenues from alcoholic beverages. Alcoholic beverages are a very highly taxed commodity. We found that the figure was altered in no case by more than one per cent, that is one full point in the index; that the province which went up a little higher was the province of Quebec. The other provinces were only changed in the decimal places.

In other words, we have allocated these consumption taxes, which include customs and excise taxes, on the basis of retail sales.

One further qualification which is mentioned in the text of the brief which was read in yesterday, and that is, we have assumed that all consumption taxes are passed on in full to the consumer. I think it would be generally agreed in the literature on public finance that that is the

long run effect. In the short run however, these taxes may frequently be absorbed by the manufacturer into his profits. In other words, the conditions of the market may be such that he cannot raise his price by the addition of the tax, or the manufacturer may pass part of it back in lower wages or lower prices of raw materials and things of that sort.

By assuming, then, that the tax is passed on in full, again I think we have been on the conservative side, if anything, slightly underestimating the proportions of these taxes paid by or derived from the province of Ontario.

THE CHAIRMAN: You have made the position very clear, Professor Taylor. Thank you.

PROF. TAYLOR: Then, that covers the method of distribution, sir, of the consumption taxes, the customs revenues, the excise duties; the old Excise Act, alcoholic beverages and the excise duties are under the Special War Revenue Act, and the principal being the sales tax.

Then, No. 2, is income taxes. The personal income taxes, I take for granted will be generally agreed, fall on the taxpayers. The occasions when the personal income tax is shifted to somebody else are extremely rare in my opinion.

THE CHAIRMAN: My experience would agree with that.

PROF. TAYLOR: Yes, sir. It is alleged that it is the professional man who sometimes do pass it on to their clients, sir.

THE CHAIRMAN: I am afraid it is impracticable these days.

PROF. TAYLOR: We are happy to have your agreement, sir.

The corporation tax we have also allocated to the province in which it is collected. We say there in the brief, this is at the top of page 17, paragraph 2, the middle

of the paragraph:

" The burden of the corporation income tax in Ontario is over-estimated if, and to the extent that "foreign" shareholdings of corporations with head offices in Ontario exceed Ontario shareholdings of corporations with head offices elsewhere."

In other words, the burden of the corporation income tax falls, I take it, on the shareholders and when we allocate to Ontario the total corporation income tax collected in Ontario we are in error, only, sir, if there are more non-Ontario residents holding shares in Ontario companies than there are Ontario residents holding shares in non-Ontario companies.

COMMISSIONER MACKAY: Have you any measure of that, Professor Taylor?

PROF. TAYLOR: I know of none, sir. To my knowledge I do not think the Departments in Ottawa have ever attempted that, unless the Commission's own secretariat is making attempts along that line.

I discussed that question with Mr. Fraser Elliott some time ago in an entirely different connection, in regard to foreign investments in Ontario, and he felt it was practically impossible to make any break-down of that sort.

THE CHAIRMAN: I should think there would be more non-resident shareholders in Ontario companies than Ontario shareholders in non-resident companies, by reason of the concentration of business in this province and the adjoining province.

PROF. TAYLOR: I would say, sir, in that connection that if you take in all foreign shareholders, that is non-Ontario shareholders, if you included in that non-residents of Canada, I think I would agree with you, sir. But, I am not at all sure, I am very doubtful, as to whether there

are more non-Ontario shareholders resident in Canada holding shares in Ontario companies. There are some figures available on the so-called unearned income in various provinces, which I think show the concentration of unearned income is not as large as commonly alleged in the central provinces.

THE CHAIRMAN: Of course, the Ontario holdings in foreign companies may be substantial. I am speaking of non-Canadian companies.

PROF. TAYLOR: Yes, there must be very substantial holdings in Ontario of Quebec corporations, sir, and also of non-Canadian corporations.

THE CHAIRMAN: Yes.

PROF. TAYLOR: The third point I consider needs little discussion. The gold tax was only in existence for about a year and a half and it is only a small item, and is distributed in proportion to the production of gold in the several provinces.

The other Dominion revenues, which include such items as the tax on Bank circulation, the tax on insurance companies, the license and inspection fees, weights and measures, Electricity Act, canal receipts, radio licenses, interest on sinking funds and so on, taken altogether it is only a little over \$20,000,000 or six to eight per cent of the total Dominion revenues and these are allocated in proportion to the net value of production in each area. That is, I am not trying to argue at great length on that particular method. It is a very small amount anyway, but it seemed to me it did not properly belong to retail sales. Certainly the tax on banking corporations and so on, and weights and measures and radio licenses, seem to be more readily allocated. If you wanted to go to a lot of trouble you could probably break down the radio licenses, but the total amount involved in that year was less than a million

dollars.

On the basis of those allocations, sir, you have table 3 in the Appendix, which is summarized on page 18 of the second book of the brief. I do not think it is necessary, sir, to look at Table 3 in the Appendix in any detail, if I could just call your attention briefly to the figures appearing in the summary on page 18. The percentage figures which are in the second half of that Table on page 18 indicate, as we have suggested, that the proportion, the percentage of Dominion tax collections coming in this sense out of Ontario has risen steadily and without interruption from the year 1928 down to the last fiscal year, 1937, a steady and gradual rise from 40.4 per cent to 45.3 per cent in the last year.

You will observe, sir, that the percentages in the Maritimes, in Quebec and in British Columbia have fluctuated within very narrow limits, if anything a very slight uptrend in the Maritimes; but there is really no change. The only other area in which there is any significant change is of course in the prairie provinces with a decline from 21.5 per cent down to 15.3 per cent in the last year.

THE CHAIRMAN: Would that not indicate a very substantial diminution in the purchasing power of the people of the prairies?

PROF. TAYLOR: Oh, yes, sir, I think that is obvious and I take that as being the obvious explanation of the thing. Our point, of course, is that in the --

THE CHAIRMAN: I know you are dealing with another point, but it occurred to me in looking at it that that was an obvious result of the figures.

COMMISSIONER MACKAY: You have not attempted to work out a Table for the years previous to 1928-29 have you?

PROF. TAYLOR: No, sir. You could carry it back a

little further. There are physical limits to an individual or even a government department carrying the figures back indefinitely. You could not go very much further back of this, because the retail sales, while they go back to 1924, to the best of my recollection, I think in the first two or three years the census was rather experimental and I would not like to rely very much on the retail sales in 1924, 1925 and possibly, 1926. I think from 1926 on you could get quite satisfactory figures. That is, I think you could carry that table back on this basis another two years. I do not think you could carry it back much further than that.

COMMISSIONER MACKAY: Do you think that table gives a fair picture for those years? Perhaps it does. Is it fair to take those years alone? You have that period of nine years when western Canada was subjected to very serious disturbances because of the decline in the quantity and prices of wheat. You say perhaps it could not be done, but if it could be done would it not be a fair picture to take a few years earlier? Do you not think it would be more normal?

PROF. TAYLOR: There are two observations one might make in that connection. I would think the year 1928-29, from my general knowledge of Canadian economy, is a pretty typical year, and I would be a little surprised if carrying the figures back a couple more years would change it very much from the 22.5 per cent that that year shows for the prairies.

COMMISSIONER DAFOE: I would think that is true, Professor Taylor. That pretty well represents the peak.

PROF. TAYLOR: I may say that we are not arguing here that Ontario always has paid and always will pay 45.3 per cent of the taxes and the prairies will only pay 15.3 per cent.

The part I am arguing is that the operation of the system of Dominion public finance has transferred, has relieved, if you like, the prairies of a very heavy burden, a very large amount of taxation in the lean years, in the bad years, and has transferred that burden largely to the two central provinces.

COMMISSIONER DAFOE: Do you not think the word "relieved" is wrong? They did not get the taxation there because there was no money on which it could be levied.

PROF. TAYLOR: Yes, what I meant to say by the use of the word "relieved" was that the system of taxation was such that the relief, is, so to speak, automatic.

In other words, take for example, it is a little absurd, if the main source of Dominion revenue had been a tax on land the result would not have been the same in that area as if you took a tax on income and consumption.

COMMISSIONER DAFOE: Yes, I think that is true, but I think in these discussions, you ought never to lose sight of the fact that Dominion taxation is uniform, and that if there is more revenue coming from one area than another it arises simply from the fact that there happens to be more wealth in that area, and that there is no reflection upon the district which makes the smaller contribution, because the material out of which the contribution is made is non-existent.

PROF. TAYLOR: But, I merely suggest that if you could have a uniform tax it would not have that action. It might happen; in the case of a uniform land tax it would have operated somewhat differently. I should add that in the case of uniform land tax you would not have got the money in the way you have done.

COMMISSIONER DAFOE: You would have got the national domain back on that basis.

COMMISSIONER ANGUS: You have not measured whether the relief given to the prairies was excessive or not enough, or just right?

PROF. TAYLOR: No, I have been trying in this section to develop these certain matters of fact here. I am not passing judgment. We do sir, in the closing words of this section, say we feel in Ontario we have borne a reasonable share, a full share, perhaps some of us think a little more than our full share, of the burden of taxation.

COMMISSIONER ANGUS: Would not that depend upon how much the income had fallen in the prairies in relation to its fall in Ontario?

PROF. TAYLOR: Yes, we say later on again in this section, or rather in the next section, that the burden of taxation is naturally related to the size of the social income. We also suggest that we have not any satisfactory measures of social income in the different economic regions. That is a point we want to make in the remarks towards the end of the week.

THE CHAIRMAN: Yes, the sole purpose of these tables you are now giving us is to establish, so far as it is practical, the areas from which the Dominion derives its taxation, its revenues.

PROF. TAYLOR: Yes, sir. If I may put it this way: the majority of the briefs submitted to this Commission, as far as I have been able to read them, have emphasized the burden of local taxation, provincial and municipal taxes in the area, and we feel we cannot get a fair picture of the burden of taxation in Ontario unless you take all three kinds of taxation into consideration, Dominion, provincial and municipal.

THE CHAIRMAN: That is correct, you cannot get a fair inquiry without taking the three into account, I should

think, Professor Taylor.

PROF. TAYLOR: As far as I am aware this has not been done in the other provincial briefs submitted.

(Page 7488 follows)

COMMISSIONER MacKAY: Just going back to this table for a moment, Professor Taylor, you do not mean to imply that these ratios as of 1935-36 and 1936-37 are at all likely to become permanent?

PROF. TAYLOR: Are likely to become permanent, sir?

COMMISSIONER MacKAY: I mean given reasonable prices for wheat and given reasonable crops, this structure might become changed.

PROF. TAYLOR: I would say that given crops and prices, all good things might come unto us.

COMMISSIONER MacKAY: It is an important thing for the Commission to consider, whether this is likely to continue or whether it is a temporary condition.

PROF. TAYLOR: I would say that the answer to that question is this, that the Dominion system of public finance is such, in my opinion, that whenever the west runs into a series of lean years the same sort of variation will recur. If you reproduce, during the next five years, conditions on the prairies which existed in the late twenties, I would expect the ratios to go back to the 1928-29 figures. There is some evidence, I might say, in the fiscal year 1937-38 that there will be a significant upward turn in the western tax receipts and tax collections.

The table on page nineteen, at the top, merely repeats the figures on page eighteen in the form of per caput ratios. These are the figures at the top of page eighteen divided by the population, I divided them not by the census population for the year 1931, but by the estimated annual population. We point out on page nineteen that,

"Dominion tax revenues in Ontario per head of population are about the same as in British Columbia; from 30 to 50 per cent higher than in Quebec; and more than double the figure for the Maritime

"Provinces. Compared with the Prairie Provinces they were 25 to 30 per cent higher before the depression, and have been almost double the prairie figures in each of the last six years."

THE CHAIRMAN: On the per capita basis for 1936-37 the prairies showed a very perceptible increase, as did the other provinces.

PROF. TAYLOR: The total tax receipts rose also in that year nearly \$50,000,000.

THE CHAIRMAN: It showed a substantial increase in all the provinces.

PROF. TAYLOR: There was a sales tax of eight per cent in that year.

THE CHAIRMAN: British Columbia and Ontario were very nearly the same. When we were out in British Columbia, British Columbia objected to being placed on the same level as Ontario. The government thought it would be placing it in too fast company.

COMMISSIONER DAFOE: The government said there was an attempt to put it in company too fast for it.

PROF. TAYLOR: We can only let the figures speak for themselves and let the chips fall where they may.

COMMISSIONER ANGUS: I think this does bring us back to the point whether 1928-29 is really a normal year for the prairies because if they are subject to the ups and downs which this indicates, would you not have to get a normal year by averaging?

PROF. TAYLOR: I was going to say I do not want to get into the metaphysical relations, but I must say I have rather an objection to the conception of the normal year in Canada.

COMMISSIONER ANGUS: I did not mean a normal year so much as using that year for the basis of comparison.

PROF. TAYLOR: You will note I have deliberately refrained from putting this as an index number on the

basis of 1928 equalling 100. I think such a procedure would have invited legitimate criticism.

COMMISSIONER ANGUS: I am only thinking of it as linking it with the word, "normal".

PROF. TAYLOR: Perhaps I was mislead into the use of the word. We use it a good deal in this part of the country, sir.

Passing on then, to the paragraph on page nineteen. We proceed on the next page to allocate Dominion government expenditure. I have been given to understand that the Commission's own staff is making some careful inquiries for this Commission. The resources at the disposal of this staff at Ottawa, doubtless will enable the staff to go into the matter in much more detail. We have attempted to produce certain allocations on a basis, we think, is sound and reasonable. We think it produces certain results which are significant, even if they are not to be taken as certified and correct by chartered accountants. These figures are not produced, strictly speaking, from an accountants' viewpoint

Quoting from the brief:

"Dominion government expenditures are more difficult to allocate. Certain expenditures can be allocated definitely to certain areas; for example, statutory subsidies, old age pension grants, relief grants, coal subsidies, wheat subsidies, public works, etc."

THE CHAIRMAN: There is no real difficulty there as you are able to get the different expenditures in the different areas for those items.

PROF. TAYLOR: The only difficulty, sir, is when you come down to the smaller items. I had to allocate to each province in the table which follows the expenditure on experimental farms, in the respective areas. I have

allocated the expenditure for the Department of Fisheries, but there are limits beyond which you cannot go in such an undertaking. I understand that the Commission's staff is making an extremely minute breakdown and getting the actual payrolls for the different departments. We have not been able to do this.

THE CHAIRMAN: I know the staff is trying to get as accurate information as is possible, but I cannot speak of the details.

PROF. TAYLOR: The first allocation is made in the first column of the table on page twenty.

THE CHAIRMAN: Before leaving that first part which you have read--one would not question that--, but you say that the deficit of the C.N.R. has been allocated according to the tonnage of freight traffic originating in each area. For the moment, I do not just see why that should be the basis.

PROF. TAYLOR: Well, sir, the deficit of the C.N.R. can be allocated in a number of ways. It can be allocated according to the miles of track, for example, but I do not think that would be very satisfactory. There is a suggestion in the next sentence on page nineteen that a larger part of the deficit might properly be charged to the fact that the freight rate structure, particularly on grain, is very much lower on Canadian lines than on American lines and that grain provides a very large proportion of that traffic. We allocated it on the basis of freight tonnage as a measure of the traffic.

COMMISSIONER DAFOE: The higher the tonnage, the higher the proportion of the deficit.

PROF. TAYLOR: Yes, it would work out in that way.

COMMISSIONER DAFOE: Don't you think it might be reversed. The higher the tonnage the less the proportion

of the deficit: don't you think such an argument might be made?

PROF. TAYLOR: It is not necessarily the higher tonnage per mile of traffic, it is just the total tonnage in the area.

COMMISSIONER ANGUS: A perfectly useless line might account for a high deficit, might it not?

PROF. TAYLOR: Of course, if you had no traffic in the west--taking a perfectly absurd situation--you could give the west all the deficit. My point is that the charge might properly be allocated on the basis of the use made of the line. I went through the C.N. R. and the C.P.R. accounts to see if any breakdown had been made between the eastern and western profitable areas.

COMMISSIONER DAFOE: There was no breakdown up until the year 1925, when a breakdown was produced by the lawyers representing the western provinces at one of the freight rates investigations. It was shown very clearly that the profits of the C.P.R. were largely derived from the west and that there was a close relationship between them and the movement of wheat. This breakdown has not appeared since. In the Saskatchewan brief, if you look at it, there is a fairly elaborate comparison of commodity rates in Ontario and in western Canada. If I remember correctly, I think Mr. Rogers had a similar calculation in his presentation to the Nova Scotia Commission in support of the same contention, that the freight rates are far higher in the west than in the east.

PROF. TAYLOR: There is a statement quoted from a hearing of the tariff board. It was quoted yesterday in the Premier's statement on page twenty-eight to the effect that the grain rates amounted to 12 or 18 per cent of the traffic and that the Canadian rates are nine cents lower than comparable rates in the United States.

COMMISSIONER DAFOE: Is that the rate right through to the seaboard or the rate to Fort William?

PROF. TAYLOR: In the actual citation it does not say, but it does point out that,

"The Canadian Railways admit, however, that the rates on petroleum products are higher in Canada than in the United States but they point out that the western Canadian farmer pays very much lower freight rates on grain than the American farmer, the difference being approximately 15 cents per 100 pounds or 9 cents per bushel."

That is taken from page 28 of the Premier's statement.

COMMISSIONER DAFOE: It does not matter what the American rates are, the point is do the Canadian rates for wheat, when there is a large movement, are the rates at such a level that they involve the railways in a loss? Of course the railways make an argument to the effect that it does, at least, the railways did in past years. The railways tried to get the rates up. The effect of the railway's argument is that wheat is moved at a loss, even when there is a large flow. It would follow from this that the railways would rejoice over a wheat failure in western Canada, but I do not notice that that is their attitude.

PROF. TAYLOR: I am not an expert on railway freight rate structure, but I do know this that the problem of allocating costs per kind of traffic is practically insoluble and that it is done by certain very rough formulaes. I have not the slightest doubt, of course, that in the actual direct costs per train load from a western point to Lake Head, there is a substantial profit. My recollection is that half of the entire amount of freight traffic of all sorts is carried in ten weeks of the year.

The railways have to carry heavy peak load supplies of equipment and the interest rate goes on with the clock, sir, all the time.

COMMISSIONER DAFOE: That may be so, but it does not clear away the doubt of basing your calculations upon the tonnage. Are there not so many factors in connection with that that it is almost impossible to allocate the proportion of the deficit to be charged to any particular locality?

PROF. TAYLOR: I think an allocation could be made on the general basis of the volume of traffic. I think I would be quite prepared, sir, if the Commission furnished those figures for the basis of gross traffic collections by areas, to furnish a calculation. We do have the freight traffic by areas and we have the passenger traffic by broad centres, but we have no breakdown of gross collections by areas.

COMMISSIONER DAFOE: That would be a different matter, but those figures are not available.

PROF. TAYLOR: If the Commission could secure them and make use of them, I should be very much interested in seeing the results.

THE CHAIRMAN: Professor Taylor, during the years preceeding 1930 when there was a large grain crop in western Canada, there was no deficit on the Canadian National, or, at least, a very small one.

COMMISSIONER DAFOE: The deficit rose as the wheat crop of western Canada disappeared.

PROF. TAYLOR: The figures would show that in 1928 the freight traffic originating in western Canada was 36 per cent of the total. In 1931 it fell to 35 per cent and it has been falling very steadily ever since. It was down to 31 per cent in 1936. There would, of course, be a fairly direct relationship between the volume of the wheat

crop exported and the volume of the traffic originating in western areas. In the year 1932, which was a fairly good year for a crop--

COMMISSIONER DAFOE: There was a tremendous movement of a crop at rates which were disastrous to the grower. It was that year that, according to statements frequently made, the price of wheat fell to the lowest point in three hundred years.

PROF.. TAYLOR: In that year the west had 40 per cent of the total traffic. Corresponding to this very heavy movement in the west,--the east was at the bottom of the depression, particularly in the pulp and paper industry.

COMMISSIONER DAFOE: It is largely a leap in the dark, this calculation, but it might be indicative of something.

PROF. TAYLOR: I have allocated the debt on a per caput basis. As we all know, a large part of the debt is attributable to war costs and pensions are a large part of the war cost. Here, again, I understand your own secretariat is making a study and allocating pensions according to the province in which the pension is paid. I am not sure what change this would make in the tables. The last amount is what might be called 'all other expenditures'. It is chiefly the cost of what you might call the head office, the cost of the inside civil service in Ottawa, Justice and so on. I have apportioned this according to the weighted average and the sum total of the preceeding calculation.

On page 20, sir, the figures are set out. In the first column are the figures for special benefits, I mean ones which can be definitely assigned to particular areas such as subsidies, grants-in-aid of various sorts, and so on. The second column is pension and debt and the third

column is the C.N.R. debt allocated according to the method I have indicated. The fourth column is, "All other", allocated according to the sum of the three preceding columns. This has only been done for two years. I can only say that this was done because of the great amount of time consumed and labour involved particularly in the calculations for that first column. We were unable to carry it out for more than a few years.

THE CHAIRMAN: It is a very interesting table, Professor Taylor, and must have involved a great deal of time and labour.

PROFESSOR TAYLOR: One last point, sir; the table in the lower part of page 20 merely compares the percentage of revenues collected and the expenditures made in the various areas. These figures are taken from the preceding pages. Now in both points under consideration there were heavy changes of deficit, of course, made by borrowing. I suggest, in the long run, the proportion that can be allocated according to the proportion or distribution of Dominion revenue on page 21. This table brings all the figures together. Each region has been debited with its share of the deficit for the year and a balance is struck showing net transfers to or from each area resulting from the Dominion government's ordinary transaction. This has been calculated on the basis of the contributions to the Dominion revenue. It is estimated that 45 per cent of the deficit can be allocated to Ontario and 16 per cent to the prairies, and so on, according to the net proportion each gives to the total of revenues collected, a division of the deficit and expenditures and a balance is carried out in the two right hand columns. This indicated that a balance on operation of the ordinary financial transactions of the Dominion government resulted in a transfer

of \$65,000,000 to the prairie provinces in one year and \$50,000,000 in the next. There was a transfer to the maritime provinces of \$34,000,000 in one year and \$33,000,000 in the next. In Quebec it amounted to \$14,000,000 in one year and \$7,000,000 in the next year. and in Ontario it amounted to almost \$80,000,000 in one year and \$74,000,000 in the next. British Columbia transferred out in one year about \$5,000,000 and in the next year \$2,000,000.

COMMISSIONER MacKAY: You do not attempt, Professor Taylor, to put beside this any measure of the capacity of the different regions to pay.

PROF. TAYLOR: I raise that question in the next section where I try to give the Dominion, provincial and municipal taxation in all areas. I recognize that problem at the end of that section.

THE CHAIRMAN: Professor Taylor, you say, "The net result of Dominion government finance has been to transfer \$75,000,000 or \$80,000,000 from the province of Ontario for the benefit of the Maritime provinces and the Prairie provinces". Of course, what both the Maritime provinces and prairie provinces said to us was this, "That is a tax collected from the more wealthy people who reside in the provinces of Ontario and Quebec, particularly in the large centres of population and which they have earned from income, in a large part, by business done all over Canada. Therefore, they are interested in and have to contribute towards the wealth of those provinces, what do you say as to that?"

PROF. TAYLOR: I might make two comments on that, sir. The general argument is one for which I have never seen any statistical support, though I quite agree that it is a natural deduction. I might refer briefly to a table

which I thought had been presented before. It is on page eight, if I might refer back to it for a moment. This table does not meet your point, directly, but I think it throws an interesting sidelight upon it. It is based upon an exhibit filed by Mr. Fraser Elliott at the Ottawa hearings and gives the statistics for unearned and earned income. Of course, this is only income received by taxpayers, and it is based entirely, I understand, on personal income tax schedules. You will observe from this table that Ontario received 46.6 per cent of the total earned income and the unearned income was 49.6 per cent. The unearned income is only slightly larger and in my opinion it is not strikingly larger. I put against that the total value of net production in Canada, just as a basis of comparison. I suggest any discussion of that table, to which I did not intend to refer, must now anticipate an answer to that question of the difference between 46 and 49 per cent. I believe that this is largely due to the form of corporate organization which is probably more highly developed in Ontario than in any other part of Canada. Some of the Ontario income is received as so-called dividends, from corporations which are really, economically speaking, business partnerships. This would be called unearned income, whereas in a partnership, it would be regarded as earned income. That is one factor and the other thing which I would suggest is this, we have not been able to get any elaborate statistical basis at this time. I think, generally speaking, it is true that the volume of business done by firms and corporations with head offices in Canada and which have their main business throughout Canada, find their business in the west less profitable. I am not suggesting, for a moment, that these firms are losing money in any direct sense,

but I was able to go through the accounts of two or three corporations which were set out in some detail in the Royal Commission on Price Spreads. One firm I remember, particularly, I am not sure I have the figures here, but one firm shows extremely meagre profits or no profits at all in the western provinces. This would not apply to certain businesses whose main offices and whose main business is in the west, but it would apply to a very wide range of business with western and maritime business. It is not likely to be most profitable from the point of view of earning. It is quite a valuable business and it helps to maintain the volume of production and that sort of thing. I think it is generally agreed that the cost of doing business in those areas is greater than the cost of doing business here, and that the increased cost of doing business, is, generally speaking, more than slightly higher than the prices which may be charged in those areas.

(Page 7503 follows)

COMMISSIONER ANGUS: Returning to the first of those two points, Prof. Taylor, I imagine in Mr. Fraser Elliott's calculation that the salaries paid in Head Office, while earned income, might conceivably be attributed to the whole range of operation of the Company, and would therefore be said to be earned in part in the West or the Maritime Provinces, as the case may be.

PROF. TAYLOR: Yes. I do not know whether that figure of 49.6 is significant to the last decimal place.

COMMISSIONER ANGUS: I do not mean that. I mean the comparison between 49.6 and 46.6?

PROF. TAYLOR: Yes, but one gets the impression from rather vague public discussions, that all the wealth of the Canadian income is concentrated in the Central Provinces. I was giving that table to show that the proportion of earned to unearned income was a little lower in the Maritimes than in Ontario. Those who pay income tax there derive a substantially larger proportion of their income from what are called investment sources than is the case in Ontario.

THE CHAIRMAN: That is on page 8?

PROF. TAYLOR: Yes, Sir. This table, I may say, belongs to another section. I did not want to get into that section if I could avoid it, but I am very willing to answer questions on that particular point.

THE CHAIRMAN: I was only raising it in connection with the reference on page 21, "the transfer of \$75,000,000 or \$80,000,000 from the Province of Ontario for the benefit of the Maritime Provinces and the Prairie Provinces." What you really mean is that the people of the Province of Ontario contributed that much more in taxation, relatively, than those in other Provinces. Commissioner Dafoe has pointed out the basis of taxation on income is the wealth of the individual wherever he may reside. If he happens to reside in Ontario then more is derived there; if he happens to re-

side in British Columbia then more is derived there. It is not a transfer from Province to Province, it is a transfer from individual to individual, in that sense.

PROF. TAYLOR: In this sense, Sir,-this is putting it rather in a very general way and therefore a somewhat inaccurate way, - in a sense there was \$75,000,000 more collected in Ontario than was spent in Ontario. That has to be qualified in a dozen different points to make it an accurate statement, but that is the general burden of the argument. As we say later on, we do not put this up in any plaintive way, we just want to show that although there may be truth in the suggestions that income tends to be somewhat concentrated in the central areas, it is disbursed in the opposite direction by the normal operation of the Dominion public finance.

Mr. Walters has asked me to finish this section while I am on it, Sir. We merely add for the purpose of information that in these estimates of expenditures we have not included the large loans made by the Dominion to certain provinces during the past seven years. Some of these loans are carried on the active list, some are frankly recognized and put on the inactive list in the present public accounts. The total is some \$132,000,000 in the seven years ending March 31st, 1937. There have been additions this year, of course; I have been basing these figures on the Auditor General's Report. We hazard the guess or the opinion that a very considerable part, if not the greater part of these loans, will be written off. Some of them have already been written off in the sense of being transferred to the inactive list in the Dominion balance sheet.

THE CHAIRMAN: Do you happen to have before you the amount transferred to the inactive list?

PROF. TAYLOR: I think I can find it in a moment, Sir. I think it is in the \$30,000,000 to Saskatchewan, is my

recollection.

THE CHAIRMAN: Was that in connection with the three-way adjustment in the drought areas of Saskatchewan where the mortgage lending companies wrote off interest and the municipalities wrote off the taxes, and the Dominion wrote off certain obligations?

PROF. TAYLOR: Well, I am not very familiar with the details, Sir, but the Dominion has, of course, written off loans to individuals in the West. The Dominion also has transferred - they still carry it on their balance sheet, but it is transferred to an inactive list, along with certain harbour loans and railway loans, and the others, - I have it here, page 25 Roman Numerals, Auditor General's Report 927, \$113,000,000 of this is on the active list; \$18,000,000 or most of it is Saskatchewan, and \$1,000,000 from Manitoba, roughly, is on the inactive list. I have no indication here as to when that transfer was made or the reason for the transfer. It may be in here but I cannot put my finger on the spot.

COMMISSIONER DAFOE: In the past year or so.

PROF. TAYLOR: Well, all these loans have been made since 1931.

COMMISSIONER DAFOE: This is not more than eighteen months ago.

THE CHAIRMAN: Thank you, Prof. Taylor.

PROF. TAYLOR: Then I will merely add one other statement. In addition to the above loans the Dominion has guaranteed certain other obligations. British Columbia \$600,000, Manitoba \$12,600,000. I think that is largely in connection with the Manitoba Savings Organization if I recall correctly. Then we add a paragraph here with reference to housing loans which are still outstanding, some \$23,500,000 of loans made to seven of the Provinces in the years particularly after the War. The Ontario borrowings of approximately \$9,000,000 were repaid in

full in 1927, although we have not been entirely repaid by the municipalities. Quebec has repaid 80% of its borrowings. Nova Scotia and New Brunswick have repaid about 60%, and Manitoba and Prince Edward Island have repaid about 40%. British Columbia has paid interest in full on its loans, but has not reduced the principal at all. The amounts outstanding are set out on that page, totalling a little less than \$5,000,000 at the present time. Then the concluding paragraph in this section, my Lord, indicates I think our general point of view on this whole question of transfers arising out of public finance.

"The Province of Ontario does not suggest that in a Federal Country there should be no such transfers." I could have said there could be no such transfers.

"Ontario, on the contrary, believes that in a federal state, a considerable amount of such transfers are both inevitable and just; and Ontario has never shirked its fair share of responsibility in carrying the burdens of Confederation. But the above figures show that the suggestions put forward by certain other provinces and in other briefs, that Ontario does not pay its fair share of taxation, that Ontario does not carry its weight in Confederation, are, we believe inaccurate and ungenerous. The Government of Ontario believes that the people of Ontario have carried their share, and more than their share of the financial burden of Confederation."

THE CHAIRMAN: Prof. Taylor, I do not remember any statement in any brief that Ontario is not carrying its fair share of federal taxation.

PROF. TAYLOR: It is just by implication, that we should carry more than we are now carrying. I am not sure that I can put my finger on a series of quotations.

THE CHAIRMAN: I read all the particulars of the Govern-

ment briefs, and I do not recall any such suggestion. What they do suggest is the point I have mentioned to you before; that by reason of the concentration of wealth due to business carried on all over Canada, revenues collected from citizens in Ontario represented not only wealth produced in Ontario but wealth produced in other parts of Canada.

PROF. TAYLOR: I would suggest, Sir, when suggestions are made that the Dominion Government should take over expenditures and spending functions - perhaps it is my own guilty conscience, but I have certainly had the impression the general idea is they should be financed by still more taxation, distributed even more heavily concentrated on the Central Provinces.

THE CHAIRMAN: Of course, they asked for additional relief of their burdens and they did suggest that the Central Provinces were benefiting at their expense by reason of the Dominion Government's economic financial policy. There is no doubt they have suggested and argued that very strenuously, both east and west.

PROF. TAYLOR: Our idea in that little sentence at the end was, we certainly have the impression that the general feeling of the other parts of Canada is that Central Canada can stand a good deal more, and that that can be effected by transferring a lot of rather expensive spending functions to the Dominion Government.

THE CHAIRMAN: I think there are a good many illusions in other parts of Canada in regard to Ontario and Quebec, and a good many people in Ontario and Quebec have illusions as to conditions in other parts of Canada. I hope one result of this investigation will be to clear up some of the delusions, and we are very glad of your help in that respect.

COMMISSIONER DAFOE: Prof. Taylor, unless there is a differential rate of taxation against Ontario, is there any support for the statement Ontario is paying more than their

fair share?

PROF. TAYLOR: As I said before, Sir, a system of taxation should be nominally equal, that is, having equal application over the whole of the country. But it may, in fact, bear more heavily on one area than on another, and while it is true that the system of taxation can stand some minor variations, in some cases the tariff, for example, applies to imports in certain parts of Canada; that does happen occasionally, that tariff rulings are made to apply to only one area in Canada. I may put it this way, Sir; If you lighten that very considerably, the burden, the rates of indirect taxes, - taxes on consumption, and if you meet that loss in revenue by very substantial increases in the middle brackets of the income tax you would still have uniform taxes over the whole of Canada. But you would put a very much heavier tax burden, shall we say, on certain areas, probably the Central Provinces.

COMMISSIONER DAFOE: You would put a heavier burden of tax upon a certain stratum on the tax-paying body and if many of them were congregated in a particular district, naturally that district would pay a larger percentage of the total. But as between people in the same income brackets elsewhere in Canada there would be no difference whatever.

PROF. TAYLOR: Or if you put an excise on the production of wheat, to take a rather absurd example, if you put a production tax of one or two or five cents a bushel on wheat, again, that would be equal for the whole of Canada. The Ontario wheat grower would pay the same tax as the western grower of wheat, but it would very markedly alter the impact of the Dominion system of finance on the special areas in this country.

COMMISSIONER DAFOE: I am afraid you cannot get away from the fact that Governments will go for money where it can be found.

PROF. TAYLOR: Yes. That, so to speak, is the footnote of this section.

COMMISSIONER DAFOE: If Ontario had the happiness to be a poor province they would not have to pay so much money.

COMMISSIONER MacKAY: Is not the real question whether the amount of taxation exacted from the people in a particular area by the Dominion, impairs the tax-paying capacity to the province-of the people in that area to the province; is it crippling the province in any way?

PROF. TAYLOR: In other words, the suggestion is that from the point of view of the government of a province the burden of the Dominion taxation is the extent to which it interferes with its source of revenue, and both directly I would say, and in the sense of damaging or handicapping the developments of its economy, Mr. Walters will have something to say on that subject when we come to the question of the income tax.

THE CHAIRMAN: We will wait until you come to the income tax then, Prof. Taylor.

MR. WALTERS: May we proceed with the next item, Mr. Chairman? Perhaps we can finish this part of the brief, and discuss it before 12.30, after which we will be at the point where we will go into the problems of Ontario's public finance.

"TOTAL TAX BURDEN IN CANADA

The preceding section has estimated the distribution of Dominion taxation and expenditure over the several regions of Canada. In this section the total burden of taxation, Dominion, provincial and municipal, in each region is estimated.

In the following tables and discussion Dominion tax collections are distributed in accordance with the estimates made in the preceding section.

Provincial taxation is taken to be the total

"ordinary provincial receipts less Dominion government grants and less interest received on investments in sinking funds, in hydro electric systems, railways, telephones, etc. The figures have been taken from the Canada Year Book, the public accounts of the Provinces, the Bank of Canada Report on the three Prairie Provinces, and from briefs already submitted to this Royal Commission."

THE CHAIRMAN: Mr. Walters, how do you deal with income from the public domain, - Crown lands?

MR. WALTERS: We obtained that from the public accounts.

THE CHAIRMAN: No, I mean is that treated under this heading as received from provincial taxation?

MR. WALTERS: Generally, Sir, it is.

THE CHAIRMAN: Of course, that kind of income depends entirely on the natural resources of each province, available for exploitation.

MR. WALTERS: Exactly.

THE CHAIRMAN: And not on any tax borne by the citizens of the province. These Bank of Canada Reports which you refer to, Mr. Walters, are Reports made at the instance of those provinces in February or March of the last year?

MR. WALTERS: Yes.

THE CHAIRMAN: And those are the Reports in which the Bank of Canada recommended the appointment of the Royal Commission to consider the whole Dominion - Provincial financial relations.

MR. WALTERS: I will continue reading from the brief:

"Estimated figures have been used for New Brunswick in 1936, and for Quebec in 1936. It is submitted that total ordinary receipts (less the items specified) provide a more consistent basis for comparison than so-called 'tax receipts'. In some provinces automobile licenses are treated as a tax, in others they are

"included in non-tax revenue. Receipts from natural resources may be either a tax or a non-tax revenue, depending in part on policy in times past with respect to alienation, and in part on arbitrary definitions or legal technicalities. Distinctions between ordinary and capital receipts are not altogether consistent either in time or in space. We have not attempted to reconcile these differences. We understand the Commission, through its secretariat, is making very careful and detailed statistical studies of provincial and municipal finances. Doubtless these studies when completed will vary in detail from the figures given here."

I believe an attempt has been made to bring everything into line and interpret it uniformly.

THE CHAIRMAN: Yes. Very earnest efforts are being made to secure that result.

MR. WALTERS: Perhaps that may assist us in adopting some more uniform method of accounting, which this province is anxious to do, and this province has already brought itself into line with some of the other provinces and with the Dominion in changing its fiscal year to coincide with the fiscal year of the Dominion Government.

THE CHAIRMAN: No doubt, Mr. Walters, as you suggest, it would be most desirable that we should have a more uniform system of accounting in all the provinces and the Dominion.

MR. WALTERS: We are most anxious here to work to that end.

"We are confident, however, that such changes will not alter the broad trends clearly indicated in the following tables.

Municipal taxation is the total tax collections of all municipalities in each year as recorded in the

"Canada Year Book, provincial reports on municipal affairs, and in various briefs already submitted to this Royal Commission. Estimated figures have had to be used for Prince Edward Island in all years. (I think they have only seven municipalities). (The basis of this estimate being to add fifty per cent each year to the figures for Charlottetown), for Nova Scotia, New Brunswick, Quebec and Manitoba in 1935 and 1936, and for Saskatchewan in 1936."

THE CHAIRMAN: Mr. Walters, in the case of Prince Edward Island you add 50% to the figures for Charlottetown for the purpose of getting at the municipal tax in the province, then you deduct that amount from the provincial expenditure.

MR. WALTERS: Yes, we separate them.

"In all instances where fiscal years do not correspond to calendar years, they have been assigned to the nearest calendar year. Quebec's provincial fiscal year ending June 30th has been treated as falling in the previous calendar year.

The following table gives the final aggregation. Fuller details are given on page 26."

On page 24 we give the total taxation, Dominion plus provincial and municipal, by regions in millions of dollars. Perhaps it will be sufficient if I read, Sir, with your permission, 1928, 1935 and 1936.

THE CHAIRMAN: Yes.

MR. WALTERS: The total tax burden for the year 1928 for the Maritimes was 45.4 millions, Quebec 202 millions, Ontario 334.8 millions, the Prairies 181.5 millions, British Columbia 72.2 millions. For the year 1935 the Maritimes 46.8, Quebec 182.1, Ontario 337.8, Prairies 131.6, British Columbia 69.6. And for 1936, the Maritimes 51.3, Quebec 205.9, Ontario 385.2, Prairies 146.5, and British Columbia 81.7. Reducing these

to a per capita basis, for the year 1928, the Maritimes \$45, Quebec \$74, Ontario \$102, Prairies \$83, British Columbia \$113. For the year 1935, the Maritimes \$45, Quebec \$59, Ontario \$92, Prairies \$55, British Columbia \$95. In 1936 the Maritimes \$48, Quebec \$67, Ontario \$104, Prairies \$61, and British Columbia \$109.

THE CHAIRMAN: I see British Columbia is still travelling in good company with Ontario.

MR. WALTERS: Yes, keeping up with the Jones'.

(Page 7518 follows)

" A change in the method of reporting municipal taxation in Quebec occurred in 1934 and creates an inconsistency between the 1934-36 figures and those of earlier years. The apparent inconsistency between 1933 and 1934 is about \$20,000,000, or nearly \$7 per caput."

We do not know the explanation of that, Professor Taylor, do we?

PROF. TAYLOR: No, sir. All we know is that the province of Quebec apparently dropped \$20,000,000 on the municipal and school collections, and there is a note in the Quebec fiscal year book that there was some change in the basis of reporting. That is an estimate. It is about \$20,000,000. Because all the provinces went up in 1933-34 but Quebec goes down thirteen or fourteen millions and I hope your own experts, sir, will unravel the difference.

MR. WALTERS: These tables again illustrate the fact that Ontario and British Columbia are the most heavily taxed areas in Canada; that Quebec and the prairies occupy an intermediate position; and that taxation in the Maritime Provinces is very much lower.

It is admitted, of course, that the real burden of taxation is a function of income, and that during the past eight years per caput income has probably been higher in Ontario and British Columbia than in other parts of Canada."

I am not sure, Mr. Chairman, whether your Secretariat is breaking down the national income applicable to each province. I think we have attempted to do it in this province, although there is a great difference of opinion between statisticians and economists as to the proper defin-

ition of the national income and the method by which that is to be computed.

THE CHAIRMAN: I am afraid we have to take all the results of our very ablest economists and apply our practical common sense to the situation and try to reach a conclusion.

MR.WALTERS: I heard President Roosevelt over the radio explaining in a sketchy way what the National Income was. He said it was a sum of the incomes of all the people in the United States.

THE CHAIRMAN: And would he include within that the goods produced and consumed on the farm? You see, our national income statistics as far as the Bureau of Statistics are concerned, as I understand it, do not take into account that important factor, and therefore are not in reality a true reflection of national income because where you have subsistence farming the goods produced and consumed on the farm constitute a very important part of the real income.

MR.WALTERS: And some even go so far as to add the services of the housewife.

Perhaps I might read a definition of national income that appeals to me, which is the one I am trying to understand. I believe this is accepted by British economists:

"The national income for any period consists of the money value of the goods and services becoming available for consumption during that period, reckoned at their current selling value, plus additions to capital reckoned at the prices actually paid for the new capital goods, minus depreciation and obsolescence of existing capital

goods, and adding the net accretion of, or deducting the net drawings upon, stocks, also reckoned at current prices. Services provided on a non-profit-making basis by the State and local authorities, (as for example, defence, elementary education) are included in the total at cost price; but where these services are 'sold' in the market, (for example postal services, municipal tramway services) they are included on the basis of the charges made. Where taxation is levied upon particular commodities and services, such as the customs and excise duties on commodities or the entertainment tax, such taxes are not included in the selling value."

Of course to get all the various factors that make up the national income, I do not suppose that any economist has ever satisfied himself that he has them all gathered in.

"It would be useful and proper" - referring to the statement that taxation is a function of income-

"to express taxation as a percentage of income. But unfortunately income figures are very difficult to estimate. The Dominion Bureau of Statistics estimates of the national income of Canada as a whole are doubtless as good as can be made with the statistical and technical resources available to it, but no one, not even the Bureau itself, is altogether satisfied with them.

We understand that the Commission, through its secretariat, is exploring the possibilities of such regional estimates. We shall be most interested in studying the results of its inquiry when they are available.

All that can be usefully said here, is that on

the basis of the statistical evidence available we believe that the real burden of taxation in Ontario is as great or greater than that in any other part of Canada, excepting again the drought-stricken areas of the Prairies in the years since 1930."

THE CHAIRMAN: Mr. Walters, is it a real burden, the same throughout Canada, assuming that the income is taxed on the same basis? So far as income tax is concerned it is the same throughout Canada because the burden is the same, wherever the man has the means he has to pay, and on the same basis throughout Canada.

MR. WALTERS: Well, Mr. Chairman, later on I am afraid I will have to differ slightly with that statement.

COMMISSIONER ANGUS: What meaning are you giving to "real burden"?

MR. WALTERS: There are different burdens. There is the burden of having to struggle to pay your taxes, and there is the burden of having to abstain from spending. But I express a burden here, not from the standpoint of sacrifice, but from just a statement of the sum total of the exactions.

COMMISSIONER ANGUS: Do you mean it is the same ratio of total income?

MR. WALTERS: No, I do not mean that because I say we have not the figures, we have not available the breakdown of the national income, the proportion of national income that might be allocated to the different areas with which we are dealing, so that we cannot compare the burden from a point of sacrifice in that respect.

COMMISSIONER ANGUS: No, but what does "real burden" mean here? When you say "the real burden is as great or greater"?

MR.WALTERS: The real burden here means simply, I would like perhaps to find another word rather than burden, it is the amount collected from each area.

COMMISSIONER ANGUS: Per capita?

MR.WALTERS: Per capita, in totals and per capita.

COMMISSIONER DAFOE: It means, does it, that the people of Ontario have as much trouble in paying their taxes as the people of the other areas?

MR.WALTERS: Well, there are some pretty long faces here on tax paying days and I will deal with that more in detail when I come to the discussion of the income tax.

THE CHAIRMAN: Yes, all right, Mr.Walters.

MR.WALTERS: On page 26 there is set out the total taxation in Canada by regions in millions of dollars and it is amplifying what I have already said. If I may I shall read the latest figure available, 1936 for the Dominion, the provincial, the municipal, the total in millions and the total in dollars per caput. May I, Mr.Chairman?

THE CHAIRMAN: Yes, thank you.

MR.WALTERS: For the year 1936 the biggest burden, if I may use that word, in the Maritimes was 25.8 millions. In Quebec 100.4 millions. In Ontario 1085.9 millions. In the Prairies 62.7 millions. And in British Columbia 35.7 millions.

In the provincial taxation, there is a note there to the effect that this is partly estimated with respect to the Maritimes and Quebec. In 1936 the provincial tax in these areas was as follows: In the Maritimes 13.1, Quebec 40.4, Ontario 77.5, the Prairies 35.2 and British Columbia 26.5.

The municipal for the same year: Maritimes 12.4

millions, Quebec 65 millions, Ontario 121.8 millions; Prairies 48.5, British Columbia 19.5.

Making a total for the different areas for 1936 of: 51.3 for the Maritimes, Quebec 205.2, Ontario 385.2,, the Prairies 146.5, and British Columbia 81.7.

The per caput burden for the Maritimes for 1936 \$48, Quebec \$67, Ontario \$104, the Prairies \$61, British Columbia \$109.

COMMISSIONER MacKAY: I suggest the word load instead of burden.

MR.WALTERS: Well, I guess it is an older word. That is all, unless I may go on with Provincial Finance, Sir?

THE CHAIRMAN: Yes, the Ontario Provincial Finance.

MR.WALTERS: This is coming nearer home. On page 29:

Ontario Provincial Finance

1. Revenue and Expenditure.

"The accompanying tables pages 37-40 set out briefly and clearly the main features of the finances of the Province of Ontario from 1870 to 1937. The first three tables give the figures of each decennial year from 1870 to 1930 and 1937. The first gives the absolute figures, the second the per caput figures, and the third puts the figures in the form of percentages. In order to get comparability of figures over a long period of time the basis of compilation could not be quite the same as the modern standard classification. Minor differences of detail and of totals occur due to the necessary inclusion and exclusion of such things as revenue deductions from expenditure, variations in practice with reference

to capital and current classifications. The tables broadly interpreted, give a fair and accurate picture of the trend of Ontario provincial finances since Confederation."

If I might read on and then discuss the tables later, Mr. Chairman?

THE CHAIRMAN: Yes, thank you.

"The tables speak for themselves, and require only a little comment by way of emphasis or explanation. It is not necessary to go into detail to establish what is generally known or to explain constitutional and economic trends that must have become very familiar to the Commission.

The British North America Act, especially with reference to its economic and financial provisions was conceived in a society very different from our own. The politico-economic philosophy of the Fathers of Confederation could be summed up in the well-known phrase of Adam Smith - that the proper functions of the state are limited to 'defence, justice and certain public works'. Primary education was perhaps the only important extension of these limits to which there would have been general agreement; and the 'certain public works', which Governments might suitably undertake or subsidize, covered a much wider range in the minds of Galt and his associates than it did in the mind of Adam Smith.

So long as the society which gave it birth remained, the economic financial scheme of the

British North America Act, worked reasonably well. As late as 1900 it was functioning much as it had been intended and expected. Speaking in the Confederation debates Galt had expressed the confident belief that the provinces would find in their 'territorial domain and valuable mines sources of revenue far beyond the requirements of the public service." For more than thirty years Galt's prediction held substantially true. In 1900 the cost of government in Ontario was only \$1.75 per caput. Of this, in round figures, 45¢ went to Public Welfare (chiefly aid to hospitals and asylums), 40¢ went in grants to education and 25¢ each to the administration of justice and general costs of civil government. Aid to roads and railways took 15¢, and the remaining 25¢ went to the development and administration of lands, forests, mines and agriculture. There was no public debt. These modest costs were met by the Dominion subsidy of 66¢ per caput, the revenues of the public domain amounting to 67¢; fines, fees, and licenses of 27¢, and the balance was more than covered by corporation taxes and succession duties yielding 22¢ per caput. In that year there was surplus of \$200,000 or 9¢ a head.

A summary for the first thirty-three years of Confederation can be obtained from tables prepared by the Royal Commission on the Financial Position of the Province of Ontario (Toronto, 1900). The accounts there given, after deducting loan repayments and institutional receipts, show the following totals of revenues and expenditures for the years 1867 to 1899."

Following on page 29 the total Ontario revenue and expenditure, 1867 to 1899 in thousands of dollars. The sources of revenue: Dominion subsidies, \$44,811,000. Taxes, Succession Duty \$1,179,000, and others \$153,000, a total of \$1,332,000. Licenses, fees, etc., \$9,219,000, public domain \$30,540,000, interest \$3,334,000, and miscellaneous items \$220,000; a total for that period of \$89,456,000.

THE CHAIRMAN: Those were the good old days when we had economical government, Mr. Walters.

MR. WALTERS: Yes, I used to agree with you at that time when I was a boy.

The percentages, you see at that time 50 per cent of our revenue came from Dominion subsidies, only 1.5 from taxes, 10.3 from licenses, 34.1 from Public domain, 3.7 from interest and the miscellaneous is negligible, which makes up the 100%.

The taxes; the Dominion subsidies in that period was 71¢ per caput, that is what it netted to the population. The taxes were two cents per head, licenses 15 cents public domain 48 cents, interest 5 cents, the total cost per caput \$1.41.

Now, the expenditures: On public welfare \$18,996,000, which was practically 24%, an average cost per caput of 30 cents. Education \$16,594,000, which made up 20.9 per cent of the total expenditures, 26¢ per caput. Administration of justice \$9,881,000 which made up one eighth or 12.5%; the cost was 16¢ per caput. General government, \$12,196,000, 15.4% and .19¢ per caput. Agriculture, \$4,208,000, 5.3%, 5¢ per caput. Public Domain, \$5,180,000, 6.5% and .08¢ per caput. Highways and bridges, \$4,327,000, 5.5%, 07¢ per caput. They didn't have very good highways in those days, Mr. Chairman.

THE CHAIRMAN: Or they did not run motors on them.

MR. WALTERS: No, but for weeks at a time, where I was born, they could not get to the village because of the clay in the next Haldimand county. It used to be a journey, a family journey, once a year, to go from the village of Waterford where I was born to Brantford, to go to the Christmas market. We left at five o'clock in the morning and got home at ten o'clock at night and it was an event. Now, you can go over there in twenty minutes within the law.

THE CHAIRMAN: They do not have the same thrill today as the one you had when you went in once a year.

MR. WALTERS: No, it sort of wakens memories. The mail used to be carried them from Simcoe. I remember a one-legged driver who could neither read nor write and who used to carry the mail. He used to do errands for the different housewives along the route, he made correct change and once in a while the housewives would give him five cents as a tip. Now we come to the items "aid to railways and miscellaneous" which amounts to \$7,928,000, ten per cent and .13 average per capita. The total is \$79,310,000 and the balance is the amount allocated to the cost of public buildings, \$9,549,000, and cash in the bank \$597,000 which equals \$10,146,000. This makes up the balance of the figure \$89,456,000.

THE CHAIRMAN: Does that cover the period of the 32 years?

MR. WALTERS: Yes, from Confederation to the end of the nineteenth century.

THE CHAIRMAN: The average, then, was less than \$3,000,000 a year?

MR. WALTERS: Of course, wealth was fairly equally distributed in those days. You could not have secured much by way of these progressive taxes which we have now. With the new century there came a broadening in the conception of the functions of government. Probably the extension of the franchise at that time had something to do with it. I have my own opinion as to how of some of these conceptions were started at that time.

Quoting from the brief at the top of page 30:

"With the new century came a broadening of the conception of the functions of government. During the first decade the emphasis was on government aid in the development of economic resources. By 1910 expenditures on agriculture, lands, forests,

"mines and roads had quadrupled, grants to education had increased by 160 per cent, and the general cost of civil government by 85 per cent. Public debt appeared for the first time, incurred chiefly to finance railway and road development in the Pre-Cambrian mining areas.

The second decade, 1910-20, was marked by a maintained or increased tempo of developmental and educational expenditures but to these was added the beginning of a new significant trend, the expansion under government auspices of the social services. In this decade expenditures on public welfare, hospitals, asylums, minimum wage boards, employment offices, etc. nearly trebled. Educational grants considerably more than doubled, due chiefly to increased facilities for secondary education. Expenditure on roads, agriculture and the public domain again doubled. The public debt increased to \$127,000,000, of which \$89,000,000 was invested in Hydro and in the T. & N.O. Railway. Gross debt charges were \$5,600,000 against which there was an offset of \$3,000,000 in interest received from revenue producing investments."

THE CHAIRMAN: Mr. Walters, just on that point, is the T. & N. O. now able to pay interest on its capital investment?

MR. WALTERS: It is not, at present, but it is paying its debt. It is paying the debt which this province guaranteed, practically at the rate of \$100,000 per month, so it is making progress.

Quoting from the brief:

"The total cost of government in 1920 was \$8.44 per caput, or if the offsetting interest

"receipts be deducted, \$7.35. By 1930 this figure had risen to \$18.95, or less interest receipts \$15.61 per caput. The increase of \$8.26 per caput is made up as follows.

Increase in Public Welfare Expenditure per caput \$2.06					
"	Education	"	"	"	2.00
"	Net Debt	"	"	"	1.98
"	Highways	"	"	"	1.63
"	All Other	"	"	"	.59
					<hr/> \$8.26

Between 1930 and 1937 there was a further increase in per caput expenditures of \$4.23--from \$18.95 to \$23.18."

The changes in per caput expenditure 1930-1937 are as follows:

	Increase	Decrease
"Debt Charges	\$2.23	
Public Welfare	3.48	
Rebate--Municipalities	.62	

That was the return of the income tax collections--no, that would be the municipal subsidy, that was the first year.

Education	----	.88
Highways	----	.58
All other Departments	----	.64
Net Increase--\$4.23		

Turning to the revenue figures since 1900 we find that the increases in expenditure have been met almost entirely out of large increases in taxation. If motor car licenses be included in taxation, the tax revenue has increased from twenty-two cents per caput in 1900 to \$16.90 per caput in 1937. The increase in revenue of \$23.83 per caput has been made up as follows:

"Taxation	\$16.68
Liquor Control	2.70
Interest earnings	2.85
Licenses and fees	.85
Dominion Subsidy	.15
All Other revenues	.60
	<hr/>
	<u>\$23.83,,</u>

THE CHAIRMAN: Mr. Walters, what are the interest earnings?

MR. WALTERS: On the Hydro, principally; it comes back to us—in arriving at those figures we deduct our total outlay on fixed charges for the Hydro which now has a debt of \$151,000,000.

THE CHAIRMAN: It is interest; the Hydro is paying the government on money the government advanced or the debt incurred on behalf of Hydro.

MR. WALTERS: Yes, and there is some interest which comes back from the agricultural development board and the farm loans. I think the interest the government received back last year, was \$1,860,000 or something like that.

Continuing to quote:

A complete description of all taxes now levied by the province of Ontario is given in the Appendix, pages 1--20, and tables 8 to 14.

2. Public Debt

The public debt of the province of Ontario was officially inaugurated in November 1904 with an issue of £1,200,000 Treasury Bills on account of the construction of the Temiskaming and Northern Ontario Railway. This was the beginning of the province's funded debt. But long before this debt the province had entered upon certain annuity con-

"tracts in aid of railways."

I think we will pay off the last of these old annuities, about \$7,850--they have been brought in and they will disappear from the public accounts after the first of June.

Continuing to quote:

"These annuity arrangements go back as far as 1884, and the railway aid certificates which preceded the annuities go back to 1871-1879. The capitalized value of these railway aid certificates and annuities were not carried in the province's liabilities until 1900. In that year upon the recommendation of the Royal Commission of 1900 they were carried into the province's balance sheet, capitalized at $3\frac{1}{2}$ per cent with a value of \$3,053,876."

They bore no interest and they were computed at their present worth.

THE CHAIRMAN: At that time the province also had assets but it had nothing which was earning an income. My early recollection is that a good many provincial elections were fought on the issue of whether Ontario had a surplus or not.

MR. WALTERS: And whether its rates were ordinary or whether they were capital.

On page 37 the table shows that in 1900, the year in which the Commission referred to tabled its report, there was interest of \$40,000 which was not very much. Of course, the debt was only \$3,500,000.

PROF. TAYLOR: This Royal Commission of 1900 was to settle definitely for Ontario politics the question as to whether or not there was a surplus.

THE CHAIRMAN: Did they find out?

PROF. TAYLOR: We hope your Commission will be a little more definite than that Commission was.

MR. WALTERS: Continuing to quote from the brief at the top of page 32:

"By October 31st, 1910 the debt of the province had increased to \$22,000,000 of which \$14,000,000 had been incurred for the T. & N.O. Railway and \$4,000,000 represented the capitalized value of railway aid certificates and annuities. Table 4 (page 40) gives the details of the province of Ontario debt from 1914 to 1937.

In 23 years the gross debt has increased by \$614,000,000. This is accounted for as follows.

Increase in investment in Hydro	\$142,000,00
" " " T. & N.O. R'wy	10,000,00
" " other earning or cash assets	64,000,00

Total increase in earning assets--\$216,000,000."

THE CHAIRMAN: Mr. Walters, what would be included in this item 'other earning of cash assets?'

MR. WALTERS: Highways.

THE CHAIRMAN: You could not call the highways an earning asset, could you?

MR. WALTERS: The agricultural development board loans at that time went up to \$49,000,000. Then, we had housing loans of probably \$4,000,000, municipal drainage loans and tile drainage loans. These were mortgages on farms, the municipality issued bonds and the treasury here bought them.

THE CHAIRMAN: I did not realize that the farm loans went up as high as that.

MR. WALTERS: They were reduced last year by nearly \$2,000,000.

THE CHAIRMAN: They have been reduced now, too?

MR. WALTERS: Not yet, but they will probably have to be. Of course, if agriculture revives and farm prices are raised, we may succeed in selling a lot of those farms, thus, reducing the loss.

"The capital cost of highway construction--"

In connection with this item of the highways, it is the intention to deal with that item in detail to show the capital cost, maintenance cost and interest cost. I read a statement in the press which was made by his Worship, Mayor Day. He omitted a very important item in his presentation to the Commission. He pointed out, I think, that in the fiscal year ending the 31st of March 1937, this province collected some \$28,000,000 from what we call highway revenue and spent approximately \$10,000,000. He did not mention the fact that the surplus of the highway debt is a tremendous burden for this province. It has to come out of the gasoline taxes--or should.

The increased debt from 1914 to 1937, not represented by earning, cash, or fixed assets \$83,000,000. This is a dead loss due to deficits and bad planning, bad financing and the failure to tax for a balanced budget. No doubt, this is interwoven with some of those other expenditures which we have set up at a certain value. The figure is too high, here, in my opinion because of the bad financing, bad borrowing at the time those monies were expended.

Continuing to quote from the brief;

"The investment in the Hydro Electric Power Company does not cost the province anything. Each year the Commission pays to the province its full proportion of the provincial interest charges. The T.N.O. pays something varying from a high of

"The T.N.O. Railway, on the other hand, has not been able to pay to the province sufficient to cover the interest chargeable to the province's advances to it. Each year the T.N.O. pays something varying from a high of \$1,300,000 in 1929 and 1928 to a low of \$50,000 in 1923. In 1928 the net income received by the province from the T.N.O. was equal to 4.3 per cent in the \$30,208,000 invested in it, but the average interest rate on the province's debt that year was 5.3 per cent."

I might say, sir, that this item of \$30,000,000 is a non-interest bearing investment. In the past, each year the interest was accruing, but for the present, at least, it is looked upon as an investment and the government is not charging interest.

Continuing to quote;

"In the 23 years--1914 to 1937 the T.N.O. has paid to the province \$13,174,173 or an average return on investment of 1.97 per cent per annum. The amount necessary to have covered interest costs to the province in full for those years would have been \$32,576,409 or 4.86 per cent. The net loss to the province has averaged \$825,000 per annum. In the six years 1932 to 1937 the average loss has been approximately \$1,140,000 per annum."

THE CHAIRMAN: Any surplus over operating expenses is used to reduce the debt.

MR. WALTERS: Used to reduce its debt in Treasury Bills first, then there is an issue of \$6,000,000 on which the Commission is presently meeting the interest and in 1939 it will begin to pay off those which are in serial form. At the present time, the debt due one of the

chartered banks, represented by a note to the Commission guaranteed by this province, is being paid at the rate of \$100,000 a month.

(Page 7538 follows)

THE CHAIRMAN: I thought by reason of the mining development, Mr. Walters, the traffic on that road would have been very good in recent years.

MR. WALTERS: It is of later years, Sir, and I shall be glad to file the operating statements.

THE CHAIRMAN: No, it was just a matter of curiosity.

MR. WALTERS: The conditions are very much improved now, and I may say it is now retiring its debt out of earnings.

"Through its very heavy investments specially in the T.N.O. and in highways the Province of Ontario has made an enormous contribution to the economy of the whole Dominion of Canada. The T.N.O. Railway together with other large expenditures by the Province has played the leading part in the development of the rich northern Ontario mining fields. The mineral production of this area provided an invaluable cushion for the whole Canadian economy in the difficult years 1931-35, both in employment and in the provision of gold and other exportable staples at a time when such employment and such exportable staples were desperately needed. Through its expenditures on modern highways Ontario has played the major part in attracting tourists and tourist expenditures, - - an item which has reached dominating proportions in Canada's balance of international payments. It is not generally realized that the annual expenditure of foreign tourists in Canada, which has been so largely built up by Ontario's heavy expenditures on highways and parks, exceeds by a considerable amount the interest payments due on the \$4,000,000,000 of United States capital invested in Canada."

I shall refer later on to the details of highway expenditure in appendix, tables 27 to 32.

"The present budgetary position of the province of Ontario is admittedly satisfactory. (It is gratifying, perhaps not satisfactory). Due largely to the rigid application of the sound business principle of levying taxation to cover all ordinary expenditures and of charging to ordinary account all expenditures other than those for fixed or earning assets. In the year 1936-37 there was a surplus of \$9,300,000, in 1937-38 of \$4,000,000."

The exact amount of the surplus as ascertained will be announced by the Honourable the Provincial Treasurer. I am not at liberty to state the amount, although the Prime Minister may authorize me to do that at a later date. Our books are just closed for the 31st of March, and the accounts are now all in and the amount of the surplus has been ascertained.

THE CHAIRMAN: This figure of \$4,000,000 was an estimate then?

MR. WALTERS: Just approximate.

"And a budgeted surplus of \$300,000 for 1938-39.

These very satisfactory figures do not, however, mean that Ontario does not face serious budgetary problems."

You understand, Sir, in the accounts of the province we charge to ordinary account, provision for sinking funds, approximately \$1,000,000 and the cost of unemployment relief and the administration thereof of approximately \$10,000,000, this year as the province's share, all taken in as ordinary expenditures before arriving at the surplus.

"The largest single source of revenue in the past two years has been Succession Duties. Part of these large receipts have been due to the collection of duties improperly evaded during the previous decade or more. Of the \$47,000,000 collected in the past

"three years, \$20,000,000 has been of these 'arrears'. Under present rates of tax it may be expected that when, after another two years or so, these arrears have been finally cleared up the average annual receipts will tend to fall from the present \$16,000,000 or \$18,000,000 to a figure nearer \$10,000,000 a year. Moreover the heavy rates of Dominion income tax must in the long run substantially reduce the number of very large estates from which the largest part of the receipts come."

It reduces them in two ways. We submit that the higher bracket rates of income tax imposed by the Dominion encroach upon the wealth itself, and discourage others from bringing their wealth into the province of Ontario and into the Dominion.

THE CHAIRMAN: You think the rate of income tax in the higher brackets is too high?

MR. WALTERS: I have no hesitation in saying that is my opinion.

COMMISSIONER MacKAY: There is no discrimination against this province in that respect; that applies to every province.

MR. WALTERS: No, we do not suggest that, but later on I shall suggest, Professor MacKay, that there is a great need for new free capital to come into this country for the modernization of industry to enable us to compete with foreign firms in our own home market and in world markets, and this free capital will only move where it is to its greatest advantage and will not come in the face of high taxation, or taxation that does not make provision for the development years.

"While we do not expect any material decline in these receipts in the next few years we must face the probability of their decline in later years."

The Government is fully aware of the budgetary position

it will be in when these non-recurring revenues disappear, and of course, will have to plan and make provision to supplement them, or to find other revenue.

COMMISSIONER MacKAY: The income from Succession Duties is counted as ordinary income?

MR. WALTERS: Yes, it is so treated in all democratic countries. I think in 47 out of 48 States in the United States and in Great Britain it is always treated as ordinary revenue..

COMMISSIONER MacKAY: What would be your personal opinion on that, Mr. Walters? Do you think it should be treated as ordinary revenue or allocated to the reduction of debt?

MR. WALTERS: Well, over a period of years I think it would be wise for a government to take an average amount and not treat the balance as capital receipts but endeavour to buy in some of their outstanding debentures, that the surplus reduce the debt. We do that in effect in this province, when you return a surplus of \$9,000,000 in one year and approximately \$4,000,000 in another year, and it comes largely from Succession Duties, that affects a reduction in debt, and to use Mr. Dunning's expression, whether you use the bridge score of counting above the line or below the line, separating ordinary revenue from capital revenue, the result is the same. It would not avail a public authority very much to adopt the method of treating the average annual receipts from Succession Duty as ordinary revenue and the balance as capital revenue, for the purpose of reducing the debt, if it ran into deficits. It would not get anywhere by just changing its method of accounting.

"It is on the expenditure side that more substantial changes must be anticipated. The Province of Ontario is proud of its record of developmental and social expenditures, but it is convinced that along

"a number of lines these must go further. Their progress, however, cannot be lasting unless they keep within budgetary capacities. (Full details of expenditure on Education, Hospitals, Mother's Allowances, Old Age Pensions and Unemployment Relief are in Appendix, Tables 15-26).

The Province of Ontario is convinced that the development and administration of agricultural policies, roads, education, health, mother's allowances, and other public welfare activities can be more efficiently trusted to the province than to the Dominion. In some instances, inter-provincial collaboration is very desirable, and at times the Dominion can provide useful leadership and on occasion financial assistance in such collaboration and integration of provincial schemes.

It is not possible to estimate in any detail their probable future burdens. There are strong theoretical grounds for the Province assuming an increasing share of the costs of education. In 1936-37 the province made educational grants-in-aid to municipalities of about \$5,750,000. This covered about 13 p.c. of the municipalities' expenditures. The Government has already announced a moderately increased scale of grants which will mean that in 1938-39 the province will pay rather more than 15 p.c. of the municipalities' costs.

The government of Ontario is convinced that there is a serious housing problem and that unless conditions change it will become increasingly serious. To meet this situation slum-clearance schemes and governmentally supervised housing programs have an important place. But it is equally certain that an indirect attack on the problem has an even greater

"prospect of permanent success. Lower real estate taxes and low interest rates together with greater economic security, are probably, in the long run, more useful lines of attack on the housing problem than the often spectacular programs of mass demolition and rebuilding."

THE CHAIRMAN: Mr. Walters, I judge from this statement, your opinion is that the tax on real estate at the present time, particularly in urban centres, is excessive and is retarding the building of low-priced houses?

MR. WALTERS: Yes, that is the opinion of the Government, and as evidence of that is the desire of the Government to assist the municipalities. It has in various ways assumed burdens and taken over a large share of the burden of counties and rural municipalities, and has given a subsidy of one mill to each of the municipalities at a cost of \$3,000,000. The City of Toronto got \$902,000. If money is available, - if there is employment and money is available and the rates of tax on real estate are low, men will build their houses, or people with money to invest will either build for renting or lend for building.

"There are situations where extensive reconstruction or actual demolition and rebuilding are the proper solution, and such schemes normally requiresome measure of governmental support. But for all of prevention and much of the cure of the housing problems, low real estate taxes, low interest rates and sound city or town planning are the main requisites. Cheap money involves among other things, the maintenance of sound public credit; lower real estate taxes mean improvement in the standards of municipal efficiency and the reduction in the burden of municipal administration."

THE CHAIRMAN: You deal with that problem of municipal

administration in a later part of the brief, do you not?

MR. WALTERS: Yes, Mr. Chairman. The Minister for Municipal Affairs, the Honourable Mr. Cross, will present that feature.

"The Government of Ontario is keenly aware of the problems of the municipalities and especially of the very inequitable tax-burden resting on real estate. The Province of Ontario has already made a beginning in this connection. Within the past two years the municipalities of Ontario have been relieved of their share of the costs of Provincial Highways, of Mother's Allowances, of Old Age Pensions and Pensions for the Blind. Educational grants, and township road grants have been increased. The Province has, in addition given a subsidy of 1 mill to all cities, towns, incorporated villages and townships and has authorized the municipal taxation of liquor store premises. In this year's budget additional educational and tuberculosis grants were provided. The annual value of these additional benefits approximates \$13,359,000. The Province realizes the importance, almost the necessity, of increasing the scale of these grants.

Much more money will have to be spent in the coming years on health services in bringing adequate hospital service to the population outside the larger cities and especially in developing preventive work.

Modern conditions require increased expenditure on agriculture. The development and maintenance of improved standards in production and marketing are necessary for both the export and the domestic trade. More money needs to be invested in research and in the effective popularization of the results of re-

"search."

THE CHAIRMAN: Are you speaking of research as carried on at agricultural colleges, or at the Ontario Research Laboratory or at the Dominion Research Laboratory?

MR. WALTERS: I refer principally to the Ontario Agricultural College, - tests of soil and so on.

"The Province of Ontario expects a reduction in some lines of expenditure. It has already reduced considerably the per caput of general governmental overhead, and further modest economies can still be expected in this respect.

In other words, with provincial taxation already at a very high-rate, with the prospect of declining revenues from succession duties, with increasing demands upon expenditure, demands that are often just and proper, the budgetary difficulties of the future are serious.

The Province of Ontario does not believe that it is practicable or efficient to transfer many of the most expensive social services to the Dominion."

COMMISSIONER SIROIS: Could some of them be transferred? You say "not many"?

MR. WALTERS: Not the social services, no.

COMMISSIONER SIROIS: None?

MR. WALTERS: I do not think so.

COMMISSIONER SIROIS: Because you say "many."

MR. WALTERS: Not unless there was a change in the allocation of revenue. And then we get back to the point of the public authority that collects the tax, the public authority to supervise expenditure.

"It believes that the municipalities must have increasing relief from their expensive responsibilities. The Province of Ontario, therefore, cannot give up any present source of substantial revenue, and must in

"fact, insist on a more strict recognition of its clearly established legal and moral rights in the field of direct taxation and natural resources."

THE CHAIRMAN: You will come to that in detail later on?

MR. WALTERS: Yes, my Lord. Then there is a quotation from Professor Adarkar, an eminent economist from India, which I shall quote. I might remark, Mr. Chairman, that I am very much impressed with the clear picture that such economists as Adarkar and Shirras and Swedish economists get of our problems here. They seem to understand them better, and it is probably because they approach them entirely without prejudice.

THE CHAIRMAN: Does this quotation from Professor Adarkar apply directly to Canada or is he speaking generally?

MR. WALTERS: He is speaking generally and I submit that the principles of public finance and political principles, principally the principles of public finance, apply with equal force in Calcutta or Bombay as they do in Canberra and Toronto. I quote:

"The present tendencies in federal finance are towards centralization. This tendency is not to be desired or applauded. It is due largely to the aftermath of the War, the recrudescence of war mentality, and the emphasis on nationalism. The peace time needs of human civilization are being shamelessly neglected, and the centralization of finance aids and abets such a policy. When the world returns to a mood of sanity it will learn that states and local bodies are more suitable agencies of social welfare, and though administrative co-ordination is essential, finance must be more, and more decentralized if the aims of human progress are to be achieved...what is needed above all is a more solid financial status for states and

"for local bodies."

COMMISSIONER ANGUS: My memory of Professor Adarkar is that while he may be opposed to centralization he does take the view that the richer states or provinces very properly contribute to the welfare of the poorer ones, with Indian conditions in mind primarily.

MR. WALTERS: I would not take exception to that. It is just the same as the different individuals of the State.

THE CHAIRMAN: It is one o'clock Mr. Walters; we will hear you further at 2.30.

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AFTERNOON SESSION

The Commission resumed at 2:30 P.M.

MR. WALTERS: Mr. Chairman, I had just finished page 36 in book No. 2, and now refer to the three succeeding tables, table No. 1, table No. 2, and Table No. 3. No. 1 is a statement of revenue and expenditure 1870 to 1937. Table No. 2 treats of the same items on a per caput basis. And Table No. 3 on a percentage basis. Table No. 4 gives a summary analysis of the provincial debt. I do not know whether you wish any explanation on these tables?

THE CHAIRMAN: Go back for a moment, Mr. Walters, to just glance at these figures. Can you tell me what the Ontario expenditure was in 1905? It is perhaps in the more detailed table in the other book, is it?

PROF. TAYLOR: Table one in the appendix, book 3. It is not broken down, just the grand total; on page 23.

MR. WALTERS: The revenue then was \$6,016,000, expenditure \$5,396,000, with a surplus of \$620,000.

THE CHAIRMAN: I know in those days that was said to be a very extravagant expenditure for the province. Times have changed.

MR. WALTERS: Some day a Commission will refer to the moderate expenditures of 1938, I suppose.

THE CHAIRMAN: It may be so. It will be our grandchildren, I think, Mr. Walters, or great-grand-children.

MR. WALTERS: Well, I hope our grand-children will be as fortunate with their grand-parents as we are with ours.

THE CHAIRMAN: Yes, I hope so. The big increases in revenue are in corporation taxes, succession duties, and gasoline tax.

MR. WALTERS: Yes.

THE CHAIRMAN: Motor licenses are very large too. And in interest. That is the payment by the Hydro Electric and T. and N.O.

MR. WALTERS: Hydro Electric and T & N.O. - not the T. & N.O. lately, - the agricultural development board, tile drainage debentures, municipal drainage debentures, housing loans.

THE CHAIRMAN: Then, in the expenditures the big increases are debt charges, public welfare, education to a moderate degree.

MR. WALTERS: Hospitals.

PROF. TAYLOR: That is included under welfare, sir.

THE CHAIRMAN: That is where the big increases are, in debt charges and public welfare. I suppose some day we will have the figures but it would be interesting to have a comparison of the per capita wealth annual production compared with the increase in per capita taxes.

MR. WALTERS: We have established those figures for the last year on the national income. We made an attempt when the budget was brought down this year to do that. The estimated national income of this province is approximately two billion dollars and the tax levy against the national income, the Dominion taxes on the national income of the province of Ontario 7.32%, provincial taxes to national income 1.98%, and municipal taxes to national income 6.47%.

THE CHAIRMAN: Making a total of --?

MR. WALTERS: 15.77%.

THE CHAIRMAN: It seems to me I have seen some public calculations or statements that would indicate the cost was higher than that, but perhaps not. I do not mean for the province but speaking generally for Canada.

MR.WALTERS: We work so many days in the year to pay our taxes and so on. According to this we would work about 54 days.

THE CHAIRMAN: That is quite a contribution.

MR.WALTERS: That is a little worse than the old tithe, where they gave a tenth.

THE CHAIRMAN: Yes, but that does not include the voluntary contribution the citizen makes for religious and educational purposes.

MR.WALTERS: I think when they selected the first King of Israel they figured that they should pay a tenth, didn't they? Samuel set out just what they should pay.

THE CHAIRMAN: It has been **there** for a long time, and there was a brief filed with us that if we would come back to the Commandments it would be all right, it would dispense with the Ministers of Finance and other unnecessary officials in handling governmental affairs.

MR.WALTERS: We are all going into the ministry then, or the **choirs**.

THE CHAIRMAN: Those are very interesting tables, Mr.Walters, and give a very good picture of the situation.

MR.WALTERS: Well, in spite of the fact we are paying more taxes people are living longer and seem to have more pleasures than they used to have.

THE CHAIRMAN: You do not think that is due to the fact that they are paying more taxes, do you?

MR.WALTERS: No, in spite of the fact. The best perfume I remember as a boy is that which came from my mother's stove, the burning of beech and maplewood and the burning of fresh bread in the oven.

THE CHAIRMAN: That is pretty good yet.

MR.WALTERS: They say as long as you have beech and maplewood in the wood box and the smell of fresh bread

in the oven, the nation is safe. May I pass on?

THE CHAIRMAN: Yes; do you desire now to go on to grants-in-aid or would you like to discuss these other schedules that we passed over this morning in part 3?

MR.WALTERS: I think I should like to continue the narrative at the present time.

THE CHAIRMAN: All right, thank you.

MR.WALTERS: Subsidies and Grants-in-Aid.

"Subsidies and grants-in-aid play some part in practically all systems of public finance. In unitary governments the central authority frequently makes grants-in-aid to municipalities for such purposes as education, health, housing, unemployment relief, and so on. In federal countries the central government commonly gives subsidies or grants-in-aid for housing, highway construction, relief, and often for the general purposes of government.

In Canada the principle of Dominion subsidies to the provinces for the general costs of administration was a fundamental part of the whole basis of Confederation. In brief, the Dominion was to take over the main sources of revenue on which the pre-existing colonies had been accustomed to rely. It was admitted that direct internal taxation had no historical background in these colonies, and moreover, the simple and almost primitive state of their economic system did not lend itself readily to the development of elaborate direct taxation except on a local or municipal basis. It was further expected that the inevitable revenues of the Dominion, incidental to its assumption of the control of customs and excise, would be far in excess of the needs of the Dominion.

The result of these considerations was that the Dominion was to pay to each province an annual subsidy which, added to the revenues of the provincial public domain, would be sufficient to carry the costs of provincial administration.

The long story of these subsidies need not be retold here. In brief, it is chiefly the story of repeated successful assertions by the Maritime and Western provinces for 'better terms', in effect, for larger annual subsidies."

That is merely a statement and is not a criticism.

"As will be noted from Table 3 (page 39) the percentage of provincial revenues supplied by the Dominion subsidy to Ontario was 57.0 per cent in 1870, 60.5 per cent in 1880, and since then has steadily fallen to 4.3 per cent in 1930 and 3.2 per cent in 1937. (For comparison of current subsidies see Appendix Table 2-A).

In addition to the general or unconditional subsidy the Dominion has on various occasions since 1914, made special grants-in-aid to the provinces for specific purposes, and conditional upon the provinces spending an equal or a proportionate amount from their own funds. Grants-in-aid for the development of Agricultural Education were made from 1914 to 1923; for Technical Education, 1920-1929; for combating venereal disease, 1920-1932; for highway construction, 1921-1928; for Employment offices, since 1919; for Old Age Pensions, since 1928; and for Unemployment and Agricultural Relief, since 1930.

Table 1, (page 43) itemizes the grants and subsidies made by the Dominion to the Province of

Ontario.

The Province also gives subsidies and grants-in-aid to municipalities, and also to public and semi-public educational, health, welfare and other eleemosynary institutions. Table 2, (page 44) classifies these grants by the Province of Ontario for the years 1936 to 1938 under appropriate heads. It will be observed that the Province of Ontario makes larger grants than it receives from the Dominion Government. This excess of Provincial grants over Dominion amounted to \$8,500,000 in 1935-36, nearly \$1,000,000 in 1936-37, and will be about \$5,000,000 for the year 1937-38."

Mr. Chairman, I think that I might well now refer to the table on page 43, if I may.

THE CHAIRMAN: Yes, please.

MR. WALTERS: Table No. 1 shows the Dominion subsidies and grants-in-aid to the province of Ontario, years ended March 31st, in thousands of dollars. The period 1867 on, the average per annum prior to 1930, \$1,628,000; 1930 \$2,643,000, 1931, \$2,643,000, 1932 \$2,941,000 which continues up to the present time.

THE CHAIRMAN: Yes, that is due to the change in the population in the census, I suppose, of 1931?

MR. WALTERS: The decennial census.

THE CHAIRMAN: There is no change in the subsidy to Ontario, I presume, since 1907, is there?

MR. WALTERS: No sir, the basis has remained the same. For agricultural instruction the period of grant was from 1914 to 1923, and the average per annum was \$327,000. Employment offices from 1919 to 1930, the average per annum was \$69,000, then it dropped to \$61,000, the next year \$68,000, \$67,000, \$64,000 from 1933 to 1935, and it

is now \$62,000. Technical education, the grant was discontinued in 1929. It was an average of \$318,000 per annum. For the prevention of venereal disease from 1920 to 1932 \$42,000 and \$33,000. The Canada Highways Act, there was an average of \$735,000 per annum given from 1921 to 1928. The Old-Age Pensions began in 1930, and the first year \$536,000, just at the inception of the Act, the next year \$3,517,000, \$6,039,000, \$6,828,000, \$7,086,000, \$7,672,000, \$8,677,000 and \$9,147,000.

THE CHAIRMAN: In what year was the percentage paid by the Dominion raised, Mr. Walters?

MR. WALTERS: I will give you that figure in just a minute.

THE CHAIRMAN: At the present time the Dominion pays \$9,147,000 for Old-Age Pensions in the Province.

MR. WALTERS: Yes sir, and we contribute 25%.

THE CHAIRMAN: You contribute a third of that amount?

MR. WALTERS: Yes sir. Up to last year the municipalities contributed.

To answer the question you raised, sir, it was changed from 50% in 1932 to 75%.

THE CHAIRMAN: Yes, the increased grant was for the year 1932 then. That probably explains the big jump from \$3,517,000 to \$6,039,000?

MR. WALTERS: Yes, and the continuing number of pensioners. This is passing from a young country to an older country. I suppose the progress of medical science has accounted for the prolonged span of life. That is a great problem, my Lord, the Old Age Pensions.

COMMISSIONER DAFOE: The percentage of growth has been general all over the Dominion, has it not?

MR. WALTERS: Yes, Dr. Dafoe, I think it has.

COMMISSIONER DAFOE: And the rapidity with which the

curve goes up.

MR.WALTERS: Yes, I think in the Western Provinces at first it was a country of young men, and now I believe, speaking from memory that Prince Edward Island has the greatest percentage of old age pensioners. We have the table there. It is something to look forward to.

THE CHAIRMAN: How many have we in Ontario?

HON. MR.CROSS: 55,000. In table 24.

THE CHAIRMAN: That is in part 3, is it?

MR.WALTERS: Table 24, part 3, yes, the number of pensioners. No, that does not give it by provinces, that just gives Ontario's share. The total number of pensioners as at September 30th, 1937, - I will give them by provinces, if you wish?

THE CHAIRMAN: What page is it?

MR.WALTERS: This is my own memorandum.

THE CHAIRMAN: Yes, I would be very glad if you would give them.

MR.WALTERS: Old Age Pensions in Canada as at September 30th, 1937. The total number of pensioners in Alberta, where the Act became effective August 1st, 1929, 9,564. British Columbia, the Act became effective September 1st, 1927, 11,298. In Manitoba, the Act became effective September 1st, 1928, 11,843. New Brunswick, Act effective July 1st, 1936, 10,717. Nova Scotia, Act effective March 1st, 1934, 13,779. Ontario, Act effective, November 1st, 1929, 56,877. Prince Edward Island, act effective July 1st, 1933, 1,783. Quebec, Act effective, August 1st, 1936, 43,813. Saskatchewan, act effective May 1st, 1928, 11,720. North West Territories, Order-in-Council January 25th, 1929, 7. Total 171,401. The average monthly pension ranges, the

highest pension is in Ontario, - no, the North-West Territories, there were only 7 pensioners there. But in Ontario the average monthly pension is 18.31. Manitoba is 18.68.

THE CHAIRMAN: British Columbia.

MR.WALTERS: British Columbia, 19.20, yes. Now, here is the percentage, this is interesting. Percentage of pensioners to the total population. In Alberta it is 1.24; British Columbia 1.51, Manitoba, 1.67, New Brunswick 2.46, Nova Scotia, 2.57, Ontario, 1.54, Prince Edward Island 1.94, Quebec 1.42, Saskatchewan 1.26.

THE CHAIRMAN: The percentage of persons over seventy years of age is very interesting.

MR.WALTERS: Yes, it is, sir. In percentage of pensioners to population over seventy years of age, 53.13 in Alberta, 41.84 in British Columbia, 53.83 in Manitoba, 59.54 in New Brunswick, 51.03 in Nova Scotia, 35.11 in Ontario, 30.74 in Prince Edward Island, 46.12 in Quebec, and 53.27 in Saskatchewan. Those are very interesting figures.

THE CHAIRMAN: That means, does it, that in Alberta, to illustrate, 53.13% ---

MR.WALTERS: Out of a hundred over seventy years of age are entitled to old age pension.

COMMISSIONER ANGUS: For what year are those figures?

MR.WALTERS: That is September 30th, 1937.

THE CHAIRMAN: It is difficult to think that such a percentage in these different provinces would qualify for old age pensions under a strict interpretation of the Act, but I suppose it must be so.

MR.WALTERS: Well, I suppose in the newer provinces maybe the young people moved out there in a great many cases

and put the old people out and they had not been able to provide for them. That might be one explanation. And then I suppose, too, in Ontario we might be more insurance conscious.

THE CHAIRMAN: Yes. What is the requirement to secure the pension? They must not be in receipt of income of more than ---

HON. MR. CROSS: More than \$365 per year. And there are certain deductions made, Mr. Chairman, in respect to when that amount of income was received in order to adjust the pension. An applicant in receipt of that amount of income, of course, would not receive the full pension.

THE CHAIRMAN: How is that adjusted? Take a person who is not in receipt of any income, that person would get the full pension. What is the maximum?

HON. MR. CROSS: \$20 per month.

THE CHAIRMAN: How much would a person in receipt of \$365 get?

HON. MR. CROSS: I could not answer that directly, Mr. Chairman, by reason of the fact that different conditions apply in different parts of the province, where living costs are different and different scales are provided. Each case is dealt with on its own merits, having in mind the financial condition and the living conditions of the applicant.

COMMISSIONER MacKAY: Have you worked out an index that you can apply as to the standard of living, Mr. Cross?

HON. MR. CROSS: No, the province is zoned in a general way and the applicants are first heard by a local board in each county or in each city and the regulations that we enforce are agreed upon at inter-provincial conferences

with the federal government. The act is administered by an old-age pensions commission in the province which operates under the regulations that are prescribed in Ontario and agreed to by the province.

THE CHAIRMAN: If you have a spare copy of that statement I think it might be marked as an exhibit.

PROF. TAYLOR: We can make more copies of it, but if you like you can mark that.

THE CHAIRMAN: What exhibit will that be?

MR.ST.LAURENT: Part 2 has not yet been marked, Mr. Chairman, and this is supplemental to part 3. Perhaps part 2 might be marked exhibit 297, part 3 exhibit 298, and this statement exhibit 299.

THE CHAIRMAN: Yes.

<u>EXHIBIT NO. 297</u>	Book 2 of Statement by the Government of Ontario.
<u>EXHIBIT NO. 298</u>	Book 3 of Statement by the Government of Ontario.
<u>EXHIBIT NO. 299</u>	Statement of Old Age Pensions in Canada as at Sept.30, 1937.

MR.WALTERS: The next item is also most interesting, the one that follows on unemployment relief. You will observe from this table that the cost to the Dominion for unemployment in this province varied from \$4,692,000 in 1931, reached the peak in 1936, \$15,312,000, and for the fiscal year ended 31st March, 1937, the Dominion grant to the province for unemployment relief was \$14,794,000. I question that figure, myself, that must be a break-down of two items there, of grants to unemployment projects.

HON. MR.CROSS: It was not more than \$7,000,000 last year.

MR.WALTERS: That figure, sir, contains some other factors such as road grants and so on.

THE CHAIRMAN: These items would include the grants for public works, relief projects, would they?

MR.WALTERS: Yes, I have sent for a break-down of this. At the present time I think the Dominion gives \$461,000 per month.

THE CHAIRMAN: While they are getting that information we might look at the schedule on the next page.

MR.WALTERS: I don't want to get into this unemployment relief until later anyway, and we will have the figures available.

Now, here are the subsidies and grants made by the province of Ontario to the municipalities and other public and semi-public organizations. For the year 1936 the grants were \$35,000,000; 1937 twenty-seven million and a half, and for the present fiscal year which ends on the 31st of March, of next year, we estimate \$29,477,000. The principle changes there are in relief, education.

THE CHAIRMAN: Yes, there is a big drop in relief from 1936 to 1938.

MR.WALTERS: Yes.

THE CHAIRMAN: Is the percentage different in those three years, 1936, '37 and '38, of the grants to the municipalities?

MR.WALTERS: For relief?

THE CHAIRMAN: Yes.

MR.WALTERS: I have sent for my book, Mr.Chairman, but I recall that this year we are budgeting for the same percentage of relief as last year. That is this province bears 45.9% of the cost of relief.

THE CHAIRMAN: Then, that \$9,725,000 compared with \$13,270,000 would indicate a decrease in the number on

relief, if you are budgeting on the same basis?

MR.WALTERS: Partly, and partly a change - yes, as far as this province is concerned, it must be so, and a reallocation of the burden of relief.

HON. MR.CROSS: I think you will find in the brief a section on unemployment later which gives you a comparative figure in March, which is generally the peak month during the year. On page 70 it is said the numbers on relief reached a peak in March, 1933 of 485,000 and that is carried forward to March of 1934, '35, '36 and in March, 1937 the total number on relief were 334,000 as compared with March, 1938 of 274,000.

MR.WALTERS: Yes, there is a big drop there. We intended to deal with those figures when we come to that section.

THE CHAIRMAN: Yes, all right, thank you.

COMMISSIONER MacKAY: With respect to table No.2, Mr.Walters, should it not be pointed out, however, that the grants-in-aid made by the province are for provincial purposes, part of your whole scheme of provincial government, whereas the grants made by the Dominion are really in aid of provincial government?

MR.WALTERS: Quite, yes, that is a fact. The purpose for which the grant is made from the Dominion to the provinces, the subsidy of course arose out of Confederation. But these are part of our existence of what you might call the secondary functions of government in this province.

COMMISSIONER MacKAY: Yes, part of them are really for your overhead here, for instance civil service superannuation.

MR.WALTERS: Yes. Of course that does not loom very large in the total.

THE CHAIRMAN: Mr.Walters, I notice in this table

the municipal subsidy is \$3,000,000. That is one mill on the dollar, is it?

MR.WALTERS: Yes, Mr.Chairman.

MRE CHAIRMAN: How does that compare with the amount received for income tax which was taken over?

MR.WALTERS: We received from income tax during the last fiscal year \$6,041,000. We paid out by way of municipal subsidy roughly \$3,000,000, and we paid out for old age pensions and mothers' allowances, for that portion of the burden formerly borne by the municipalities, a further sum of about \$3,800,000, I believe it was. But in the net result, as a result of this change brought about by the province levying an income tax province-wide, assuming the costs of old age pensions, mothers' allowances, and paying the one mill subsidy, the province is contributing out of its own revenues a sum of approximately \$300,000 per annum.

THE CHAIRMAN: Thank you.

(Page 7566 follows)

MR. WALTERS: So that the income tax grab of the province of Ontario is like a man loading with his left eye into a man's right fist, that is the net result.

THE CHAIRMAN: It is like taking it out of one pocket and putting it in the other.

COMMISSIONER ANGUS: Are those grants conditional, in the same sense in which the Dominion subsidies are?

MR. WALTERS: The only condition with respect to this provincial subsidy is that it will be passed on to the ratepayers in reduction of their taxes and not absorbed in the general funds of the municipality.

THE CHAIRMAN: That applied to the one mill subsidy, it does not apply to the old age pensions, does it?

MR. WALTERS: No, the cost is entirely divided between the province which pays 25 per cent and the Dominion which pays 75 per cent.

THE CHAIRMAN: So far as the one mill grant is concerned, it is passed on to the ratepayer but the relief from the old age pension is not passed on, is it?

MR. WALTERS: It merely improves the budgetary position of the authority receiving it.

COMMISSIONER ANGUS: Have you any general view as to whether it is a good system or not to have grants-in-aid which are conditional?

MR. WALTERS: You mean grants in aid?

COMMISSIONER ANGUS: Yes, from the Dominion to the province.

MR. WALTERS: As to whether they should be conditional or not?

COMMISSIONER ANGUS: Is it a good system to have conditional grants and use them, as they have been used to secure more uniformity?

MR. WALTERS: Yes, I think so, such grants as technical education are good. If the Dominion is to be held respon-

sible for unemployment, it ought to have control over the type of education which is to be furnished to a young man. Young men are being educated to be actuaries, where they might be made landscape gardeners.

COMMISSIONER ANGUS: You think it is the best way to get control?

MR. WALTERS: Yes, I do.

Quoting from the brief at the top of page 45:

"The expenditures of any government are determined by two factors: its functions, and its revenues. If the functions of government are limited, its expenditures will not be great. On the other hand, if its functions are varied and its responsibilities greater, its expenditures will be proportionately larger. A restriction is, however, imposed on the expansion of the functions of government by its sources of revenue. If a government is to remain solvent, its expenditures must be limited to the means at its disposal wherewith to meet them.

Prior to Confederation, certain of the functions of government in the British Colonies in North America were performed by and at the expense of the Imperial Government, e.g., defence. Apart from those exceptions, however, all the functions of government of each colony were performed by the government of that colony.

For the fulfilment of its functions, each colonial government had the exclusive power of taxation within its borders. To meet its expenditures it had the power to levy and collect whatever taxes it deemed necessary or expedient; the taxable resources of the people were subject to its demands and no others. It was not necessary for it to con-

"sider the portion of the revenues of the colony which would be available for its purposes; it was entitled to the whole of those revenues.

Under the B.N.A. Act, each of the colonies entering the federation surrendered to the Dominion Parliament all its powers of taxation with the single exception of direct taxation. The transfer of those powers at that time represented the giving up of all their large sources of revenue.

The B.N.A. Act, however, did not transfer from the individual colonies all the functions of government which they had exercised up to that time. It provided that the provinces should be responsible for the establishment, maintenance and management of public and reformatory prisons, and of hospitals, asylums, charities, and eleemosynary institutions, for the administration of justice, for the fostering of agriculture, for education, for municipal institutions, and for local works.

The provisions made in the Act for the revenues of the provinces were four-fold in character: license fees, revenues from natural resources, subsidies from the Dominion, and the power of direct taxation.

The objective of the framers of the constitution was to provide the provinces with sufficient revenue to meet all their requirements for the fulfilment of the functions of government vested in them. In his speech in the Parliament of Canada in support of a resolution that an Address be presented to Her Majesty for the Confederation of British North America on the basis of the Quebec Resolutions, the Honourable A.T. Galt said:

"I now propose, sir, to refer to the means which will be at the disposal of the several local governments to enable them to administer the various matters of public policy which it is proposed to entrust to them, and it is evident that unless ample provision is made in the arrangements, great danger will arise that the machinery whereby the local wants of the people are intended to be met will speedily be impaired, causing complaint on the part of the inhabitants of the respective localities, and involving considerable danger to the whole machinery of government.....'

In the scheme devised, the local revenues arising from the lands, forests and mines of the provinces were reserved for the use of the provincial government. By Sub-section 5 of Section 92, the provincial legislatures were given exclusive power to make laws in relation to:

'(5) The management and sale of the public lands belonging to the provinces and of the timber and wood thereon.'

By Section 109 it was provided:

'109. All Lands, Mines, Minerals and Royalties belonging to the several provinces of Canada, Nova Scotia and New Brunswick at the Union and all Sums then due and payable for such Lands, Mines, Minerals, or Royalties, shall belong to the several Provinces of Ontario, Quebec, Nova Scotia, and New Brunswick in which the same are situate or arise, subject to any Trust existing in respect thereof, and to any Interest other than that of the Province in the same.'

At that time these territorial revenues were

"insufficient of themselves to provide for the anticipated expenditures of the Provinces. It was therefore recognized that the provinces must be provided with additional revenues to meet the requirements of their local expenditures. The scheme of subsidies was devised for this purpose.

To quote again from the same speech of Hon. A. T. Galt:

'In transferring to the general government all the large sources of revenue, and in placing in their hand with a single exception, that of direct taxation, all the means whereby the industry of the people may be made to contribute to the wants of the state, it must be evident to every one that some portion of the sources thus placed at the disposal of the general government must in some form or other, be available to supply the hiatus that would otherwise take place between the sources of local revenue and the demands of local expenditure'.

The amount of the subsidies, fixed on the basis of 80 cents per head of population according to the census of 1861, with a special grant to New Brunswick, was estimated as sufficient to bridge the gap between the local revenues of the provinces and their estimated expenditures at that time."

THE CHAIRMAN: They not only estimated it was sufficient, but they provided that it should be final.

MR. WALTERS: Yes, sir, and every subsequent settlement has been deemed to be final.

THE CHAIRMAN: There seems to be no finality in the matter of subsidies.

MR. WALTERS: No, nor even in Succession Duties.

COMMISSIONER DAFOE: The next time they will say it is to be finally final, and perhaps that will hold it.

MR. WALTERS: Continuing to quote:

"It was not entirely overlooked that the expenditures of the local governments would increase as the population of the provinces increased. It was expected, however, that by the development of their natural resources, the provinces would, from that source, derive sufficient additional revenue to meet the additional outlay. As Mr. Galt said:

'We may, however, place just confidence in the development of our resources and repose in the belief that we shall find in our territorial domain, our valuable mines, and our fertile fields, additional sources of revenue far beyond the requirements of the public services.'

The only means other than the development of their natural resources, given to the provinces to increase their revenues to meet the increasing demands of expenditure, was the power of direct taxation. At that time direct taxation was in certain of the colonies entirely unknown. In Upper Canada, it is true, the people had become familiar with direct taxation through the system of municipal government, but even to them direct taxation meant only a tax on land. It was one of the arguments most frequently advanced by the opponents of confederation in Lower Canada that the local legislature would have power to levy 'direct, that is to say, oppressive or new taxation.'

"It was the view of the Honourable A. T. Galt that the antipathy of the people toward direct taxation would have a salutary effect upon the administration of provincial affairs. In his speech in the Parliament of Canada already referred to, he said:

'If, nevertheless, the local revenues become inadequate, it will be necessary for the local governments to have resort to direct taxation; and I do not hesitate to say that one of the wisest provisions in the proposed Constitution, and that which affords the surest guarantee that the people will take a healthy interest in their own affairs and see that no extravagance is committed by those placed in power over them is to be found in the fact that those who are called upon to administer public affairs will feel, when they resort to direct taxation, that a solemn responsibility rests upon them, and that that responsibility will be exacted by the people in the most peremptory manner. If the men in power find that they are required, by means of direct taxation, to procure the funds necessary to administer the local affairs, for which abundant provision is made in the scheme, they will pause before they enter upon any career of extravagance.

THE CHAIRMAN: His prophecy appears to have worked until the end of the century, but after the turn of the century it does not appear to have been effective.

MR. WALTERS: They have become blase.

Continuing to quote:

"That natural resources and direct taxation were the only elastic sources of revenue of the

"provinces is explained by the fact that it was made a part of the B.N.A. Act that the subsidies should not be increased with the increase of population. Section 118 of the Act reads in part as follows:

'Such grants shall be in full settlement of all future demands on Canada.'

On commenting on the Quebec Resolutions on this point, the Honourable A. T. Galt said:

'It must be observed that the agreement does not contemplate any future extension of this amount. It is hoped that, being in itself fixed and permanent in its character, the local governments will see the importance--I may say the necessity--of their exercising a rigid and proper control over the expenditure of their several provinces. We thus obtain one of the greatest securities that can be offered to us that those influences which, in such a legislature as we now possess in Canada, are brought to bear for the purpose of swelling the public expenditure, will not exist in the local legislatures, but will meet with such a resistance, from the mere fact of the local governments to obey them, as to produce a very considerable saving in the general expense of the whole country.'

Perhaps he did not visualize the universal franchise or votes for women.

THE CHAIRMAN: You think votes for women has materially increased expenditure or is it the extension of the franchise?

MR. WALTERS: I suppose women have a different conception of the part of the national income to which the average

person is entitled. I think in school assessment and in the enlargement of the curriculum, women have contributed a great deal. It all contributes to the upward progress of man.

COMMISSIONER MacKAY: You think it has mixed sentiment with public finance.

MR. WALTERS: Oh, yes, but I guess man is on his way upward and the standard of living is higher.

COMMISSIONER DAFOE: It strengthened a demand for social services. Obviously the demand of women is that matters which were formerly excluded by the state, are matters well within its functions, that is an inevitable consequence.

MR. WALTERS: Continuing to quote:

"A similar opinion was expressed by Mr. A. Walsh:

'As the federal government is to pay an annual subsidy of eighty cents per head of its population to the respective provinces, for carrying on their local governments and the construction of local works, any sum required over and above that subsidy must necessarily be raised by direct taxation, and in that fact we have the strongest possible guarantee that in the arrangements made by this legislature, and in the subsequent management of their domestic affairs by the local governments, the strictest simplicity and economy will be observed.'

Members of the governments in the provinces of Canada were convinced, however, that it would not be necessary for the provinces to resort to direct taxation.. In reply to members of the opposition they presented figures to show that in the case of both Upper Canada and Lower Canada

"the revenues at the disposal of the future provinces would be more than sufficient for their needs. Thus the Honourable Solicitor General Langevin, after quoting figures to show what the revenues and expenditures of Lower Canada would be after Confederation, said:

'The figures I have given are highly important, for they demonstrate that Lower Canada will have a real revenue under the new Constitution--a revenue which is not calculated upon the probable increase and prosperity of the country, but the present revenue--of nearly \$1,500,000, to meet local expenses. And yet, in the face of these figures, which are based upon the most evident facts, honourable members talk of direct taxes. They simply want to frighten the country. But the people will see that there is no danger of direct taxation with the surplus revenue we shall have. Direct taxation must be resorted to if Lower Canada should give way to extravagance and spend more than her means, but not otherwise.'

It would have been impossible for any man at the time of Confederation, to have forecast accurately how the functions of government of the provinces would be increased within the ensuing seventy years. The estimated expenditures of Upper Canada after Confederation, were in 1865 estimated at \$849,112. The actual expenditures of the province of Ontario in 1870 amounted to only \$1,521,000. In 1937 the expenditures of Ontario amounted to \$85,740,000. The increase in the expenditures of the province of Ontario may therefore, with some accuracy, be said to have

"increased one hundred times over since Confederation.

The frontier of the area of undeveloped natural resources has been pushed steadily northward during the years since 1867. But prior to 1900 the process of development was private and individualistic. The Province, prior to that date, had done little more than blaze a few colonization roads, subsidize somewhat indiscriminately various railway projects, and pay the costs of municipal government in the unorganized territories. The only substantial items of costs to the province were the railway grants and the expenditures on colonization roads, which by 1900 had amounted to \$6,821,210 and \$3,248,015 respectively.

The beginning of the Temiskaming and Northern Ontario Railway project in 1904 marks the acceptance by the province of the responsibility of leadership in the development of the virgin natural resources and since that date the province has spent very large sums in providing the framework of roads, railways, power and government services that have made possible the rapid growth of the northern districts.

The greater part of the railway aid certificates and annuities were paid on account of railways, in the settled southern part of Ontario. Of the \$6,800,000 mentioned above, less than \$1,500,000 has been spent north of the main settled areas, and less than \$500,000 in the areas now known as Northern and Northwestern Ontario."

THE CHAIRMAN: Mr. Walters, can you, sometime before we close our hearings, give us an estimate of the un-

settled land in the northern part of this province which is capable of agricultural settlement and which has been opened up by the railways?

MR. WALTERS: I would be very glad to get those figures from the Department of Lands and Forests.

THE CHAIRMAN: It would be very interesting to have it. We have been getting the information in the west concerning the areas in the respective provinces which are suitable, having regard to a possible increase in the population and the resulting increase in capacity to finance and pay taxes, for agricultural development.

MR. WALTERS: Of course methods of intensive cultivation in those opened areas would create the same result.

THE CHAIRMAN: Oh yes, but we were asking about areas that were not cultivated now and which were suitable for cultivation. We used to talk about the very extensive areas in northern Ontario.

MR. WALTERS: The Great Clay Belt .

THE CHAIRMAN: Yes, the Great Clay Belt; I do not know whether a soil survey has been made to determine how much of that land is suitable for agriculture. It may be that there have been such surveys made in recent years.

MR. WALTERS: I shall be glad to get that information, Mr. Chairman.

Continuing to quote:

"It is not possible to itemize in detail the costs to the province of Ontario of developing its northern areas, nor can the revenues derived from its control of natural resources be accurately stated. The accompanying table (page 52) estimates these figures as closely as possible. In this

"table the expenditures of the Highways Department are the actual expenditures by the province on construction and maintenance of roads, bridges, etc. in Northern Ontario, and also include a small amount (less than \$1,500,000) of expenditures in aid of settlers. The other expenditures on the public domain have been estimated from a detailed examination of the public accounts at intervals of ten years. These expenditures include current as well as capital expenditure. The deficit on interest account of the T.N.O. Railway is the interest on the Province's cash investment in the T.N.O. Railway calculated at the average rate applicable to the total funded debt of the province, less the cash paid by the T.N.O. Railway to the province out of earnings. These deficits have not been capitalized, i.e., no interest on theoretically unpaid interest is included."

They have not been set up on the books of the province.

"The total expenditures on northern development averaged, in the years 1867--1912, \$450,000 per annum; in 1913--1920, \$3,500,000; 1921-25, \$6,500,000; 1926--1930, \$9,000,000; and in 1931-1937, \$15,000,000."

It is not possible to itemize that. Of course, there is a change in purchasing power and prices would have some affect there.

THE CHAIRMAN: Would that increase from 1926-30 to 1931-37 be on loans? You see, taking prices from 1926 to 1930, they would be, in all probability, at a higher level than in 1931-37.

MR. WALTERS: They were higher.

PROF. TAYLOR: Twenty-five per cent of that is for the Highway Department.

THE CHAIRMAN: We will come to that later.

MR. WALTERS: Continuing to quote from the brief:

"Revenues from the public domain are also shown in this table. The whole amount of dues, royalties, rents, fees and licenses attributable to the administration of the public domain has been estimated from a detailed examination of the public accounts at intervals of ten years. The revenues from mining taxes are the actual collections in each period.

This table shows up in a most striking way how changes in the functions of government dictated by changing technical conditions have altered the whole basis of provincial public finance, and completely destroyed the balance of revenues and responsibilities set up by the framers of our Constitution. In the first forty-five years the gross revenues of the public domain were nearly \$60,000,000 or over \$1,300,000 per annum, and the net revenues \$38,701,000, or \$860,000 per annum. In the period 1913--1920 revenues and expenditures almost exactly balanced. Since 1921 the excess of expenditures over revenue has been \$113,000,000, or \$6,900,000 a year.

In the seventy years since Confederation, the province's expenditure on the development of its northern districts has been not less than \$222,000,000. The revenues of the public domain and the mining taxes have been \$148,000,000 leaving a 'deficit' on this account of \$74,000,000."

THE CHAIRMAN: The province gets other taxes from the people living in that area which are not shown, are those dealt with anywhere?

MR. WALTERS: Yes, in the next paragraph.

THE CHAIRMAN: All right, we will come to them.

MR. WALTERS: Quoting from the brief:

"Attention should be drawn to certain obvious omissions of both expenditure and revenue. For example, no allowance has been made in the expenditures for interest charges on the borrowed funds invested in highways. On the other hand, the gasoline tax receipts in the northern districts have not been included in the revenue estimates.

In addition to the above expenditures, small grants-in-aid from the Dominion have been expended in Northern Ontario. In 1913 the Dominion paid a subsidy on account of the T.N.O. construction of \$2,134,080. This sum almost exactly equalled the deficit from 1904--1913 on T.N.O. interest account and has been so treated. In the years 1931 to 1937, grants totalling \$17,342,590 were made by the Dominion government towards the cost of road construction in Northern Ontario under various relief projects."

COMMISSIONER MacKAY Mr. Walters, is that picture not fairly general of development policies throughout Canada?

MR. WALTERS: Yes, the developing functions of government.

COMMISSIONER MacKAY: Development functions never yield a government a direct revenue in proportion to a direct expenditure.

MR. WALTERS: No, and it is rather difficult to weight

and measure the benefits which flow to the older, settled parts.

COMMISSIONER MacKAY: The indirect benefits through the development of a greater density of population may be the creation of new wealth and so on and may, in the end, far exceed the direct expenditure.

MR. WALTERS: Yes, it might. It may react through private incomes of persons or corporations formed in the older part of the state.

COMMISSIONER MacKAY: So that the picture is fairly general of what has happened all across Canada, is it not?

MR. WALTERS: Of course, there is something to be said in this connection later. In fact, notwithstanding that this province built the T. N. O. Railway, built roads and spent millions of dollars to make this land available for mining ^{and} took the risks of providing facilities for mining companies, then after the province has developed the country, the Dominion takes three times the taxes going from the development of these natural resources that this province receives. It is contended by the province that these natural resources were left with the province, to own, to develop, and to enjoy. The fruits of these resources are taken away from the province on the basis of three to one.

THE CHAIRMAN: You deal with that later?

MR. WALTERS: This table at the top of page 52 which we are discussing, breaks down these expenditures for the seventy years since Confederation. It is a table of the estimated expenditures by the province of Ontario on northern development. The expenditures on highways are listed as well as those for other public domains. The T.N.O. deficit and interest account is given, and it

gives the details of the story which I have just told.

THE CHAIRMAN: The total expenditure from 1931 to 1935 was \$70,000,000, was it not?

MR. WALTERS: Yes.

THE CHAIRMAN: About \$14,000,000 a year average, and the total expenditure for 1936-37 was \$25,000,000.

MR. WALTERS: That will receive a great bump this last year. For the fiscal year which has just ended, the province has spent great sums. Off hand, I would say, it has spent probably \$12,000,000 or \$15,000,000 on highways in that part of the country.

THE CHAIRMAN: Mr. Walters, the mining tax, at the present time, is based on production, is it not?

MR. WALTERS: Yes, my Lord.

THE CHAIRMAN: You have listed the mining tax here and there is a great increase in 1936-37 over 1931-35. In 1931-35, you have listed \$2,870,000, while in the year 1936-37, you have listed \$3,085,000 .

PROF. TAYLOR: It is rather misleading in the way it is printed, that is two years. Those fiscal years ending in 1936 and 1937 are in those figures, it is two years. That last line represents two years, all the way across.

THE CHAIRMAN: It is a large increase in any case. Was there a change in the mining tax or was it because of an increased output which led to that condition?

MR. WALTERS: From 1921 to 1936, it was averaging a little over \$500,000 a year and it is \$1,500,000 for 1936-37. The Minister of Mines informs me that it is partly due to the increase in the price of gold.

HON. MR. LeDUC: May I say this, Mr. Chairman: there has been no increase in the rate of the tax so that the increase must have been in profits or caused by increased

output, and the increased price of gold.

MR. WALTERS: Quoting from the brief:

"As has been pointed out, it was the expectation of the Fathers of Confederation that by the development of their natural resources alone the province would derive sufficient revenue to meet any increased expenditures which they might incur. As a matter of fact, the revenues of Ontario from its natural resources have been comparatively small. This is largely due to the encroachment of the Dominion upon this source of revenue. Under the Income War Tax Act the Dominion government takes a total of 15 per cent of the taxable profits of companies developing these natural resources within the province."

THE CHAIRMAN: Mr. Walters, that is a tax, though, which applies to all companies.

MR. WALTERS: That is the Corporation Tax, my Lord.

THE CHAIRMAN: There is no distinction between corporations exploiting natural resources and corporations carrying on other industries.

MR. WALTERS: I submit there is, my Lord.

THE CHAIRMAN: I mean in the imposition of the tax. I know the point which you are going to develop as to whether it is right or not, but so far as the amount of the tax is concerned, am I not correct in assuming that the tax applies equally to all corporations earning profits whether they are exploiting natural resources or are engaged in other forms of industry or merchandising.

MR. WALTERS: The corporation rate is uniform with respect to the profits of all corporations, but it receives exceptional treatment in this respect: In the net profits

no allowance for the expenditure of the mines is made. This must be made, of course, because a part is taken out as capital and a part is taken out as profits. In other metal countries only a nominal tax is levied until the original investment is out. As the ownership of mines changes from day to day, almost, I think this method which the Dominion government applies is quite fair.

THE CHAIRMAN: There was an allowance for gold mines of 50 per cent, was there not?

MR. WALTERS: Yes, but it is reduced now to 33 1/3 per cent. I do not know that it comes up later, but the contention that the province makes, Mr. Chairman is this; that the Dominion is quite justified in taxing the operation of the refineries and so on, but the profit which arises from bringing gold out of its original position in the earth, the whole benefit of that should accrue, so far as taxation revenue is concerned, to the province owning the mine, or in which the mine is situated.

THE CHAIRMAN: It was by reason of the Dominion government's monetary policy that gold received its increased value. This increased the value of gold and the products of the mines.

MR. WALTERS: Oh, yes.

THE CHAIRMAN: Should not the Dominion have a share of that in the taxes?

MR. WALTERS: No, because after all the Dominion of Canada does not fix the price of gold, it follows the price set by the other countries.

THE CHAIRMAN: It did fix it, but it followed the others, of course.

MR. WALTERS: It did fix it, and took the profit from it, although it gave part of it back to the banks, under

pressure.

COMMISSIONER MacKAY: Still, the Dominion has expended quite a bit of money, has it not, Mr. Walters, on the development of the mines in Ontario?

MR. WALTERS: Mostly in the public press.

THE CHAIRMAN: Take the enormous expenditure on geological survey.

HON. MR. LEDUC: If I may say a word. as to that, in 1935, I think the Dominion Government spent 14.7 of its total vote in Ontario and collected from the metal mines in this province about 80% of the tax derived from the metal mines in Canada.

THE CHAIRMAN: But it is expended over a long term of years.

HON. MR. LEDUC: I do not think the contribution is quite as important as that.

COMMISSIONER MacKAY: It may not equal it, but it seems to me it is one item you have left out of account in that argument.

MR. WALTERS: I think, Professor MacKay, if you get down to figures, it is negligible. Of course, in some of the write-ups I have seen in the papers, I almost thought the Department of Mines at Ottawa put the gold in the ground in the first place.

THE CHAIRMAN: They are not quite equal to Providence yet.

MR. WALTERS: But they are improving.

COMMISSIONER MacKAY: All I want to say is this: If you are going to say it is all brought into production by the expenditure of the Ontario Government, that is not an accurate statement. If you are going to say that Government has contributed to this development then you must take into account the contributions of all Governments.

MR. WALTERS: Well, I maintain this; that regardless of what the Dominion Government did about the price of gold, that we could have mined the gold and we could have sent it abroad and sold it without their interference, and the world price of gold being raised from \$23 and something to \$35.

we would have got that price just the same.

COMMISSIONER MacKAY: You are on another point.

MR. WALTERS: I thought I was on your point. Your point, as I understand it was that by reason of the fact that the Dominion Government had raised the price of gold, that they should get a larger amount of the tax.

COMMISSIONER MacKAY: That was the Chief Justice's point.

MR. WALTERS: Oh, and that was a great stimulus to the mining industry and stimulating the opening and development of low-grade mines. That is a fact, but there are no thanks due to the Dominion Government; it would have occurred just the same. The Dominion Government simply followed along the world price of gold. I think that is a correct statement.

THE CHAIRMAN: I just wanted to get your point of view on that point, Mr. Walters.

COMMISSIONER MacKAY: The point I made was, if you are going to take into account expenditures of government as a factor in the development of your natural resources, then you ought to take into account also the expenditures of the Dominion Government in the same way, and that should be counted up if you are going to try to make an estimate.

MR. WALTERS: Then I would say the Dominion Government is amply repaid many times over for having brought into existence this gold out of the ground, and on which they can levy a tax on the manufacturing process, so that it does react to their benefit; they get back any money they put into it. You are touching us on a vital point, Sir.

"A comparison of the revenues of the Dominion and the province from two typical companies engaged in the development of the natural resources of the Province throws an interesting light upon the extent of this encroachment.

" COMPARISON OF TAXES PAYABLE BY MINES IN ONTARIO,
to the Dominion Government and the Province of Ontario"
The names are concealed. The first company under "X".

ONTARIO

Corporations Tax Act

Tax based on Capital.....\$ 6,177.88

Tax based on Places of Business 50.00

Tax based on Net Revenue..... 66,569.51

\$72,797.39

Percentage to Net Profit..... .855%

Mining Tax Act

Tax based on Mine Profits \$318,770.57

Percentage to Net Profit..... 3.745%

Total Tax payable to Province of Ontario... \$391,567.96

Percentage of Total Ontario Tax to Net Profit..4.6%

CANADA

Dominion Income Tax Act

Tax based on Net Income \$998,542.68

Percentage to Net Profit..... 11.732

Total Tax Payable to Dominion of Canada.....\$998,542.68

Tax Payable to Dominion of Canada equals 2.55

times the Total Payable to the Province of Ontario."

Then the second illustration, "Y" Mining Company.

ONTARIO

Corporations Tax Act

Tax based on Capital.....\$ 3,138.75

Tax based on Places of Business 50.00

Tax based on Net Revenue..... 42,774.93

\$45,963.68

Percentage to Net Profit..... .793%

Mining Tax Act

Tax based on Mine Profits.....\$154,802.87

Percentage to Net Profit..... 2.67%

Total Tax Payable to Province of Ontario.....\$200,766.65

Percentage of Total Ontario Tax to

Net Profit.....3.463%

CANADA

Dominion Income Tax Act

Tax based on Net Income.....\$641,623.88

Percentage to Net Profit.....11.065

Total Tax payable to Dominion of Canada.....\$641,623.88

Tax payable to Dominion of Canada equals 3.196

times the Total Payable to the Province of Ontario."

Mr. Lang has handed me the case of another company, in which the total tax paid to Ontario for the calendar year, - the company's fiscal year 1936, - Ontario received \$1,120,689.95, and the same company made provision for the Dominion tax \$5,100,148.61. It will be seen that the Dominion tax therefore appears to be 4.5 times that payable to Ontario.

THE CHAIRMAN: That seems to be a higher proportion than these other companies. What is the explanation of that?

MR. WALTERS: The explanation would be the question of a higher capital tax, - rates on mining stock in the province. It is a different class of mine too.

THE CHAIRMAN: Are these two companies "X" and "Y" gold mining companies?

MR. WALTERS: Yes.

"The Dominion government by its corporation tax on the profits of mining and lumbering has levied a tax upon that which belongs to the provinces and, therefore, disregards the intention of Confederation that the natural resources should be the particular property of the provinces and that any benefit that should be derived directly therefrom should flow to the province. The total amount of tax paid to the Federal Government by the mining companies of Ontario for 1936 is

"given by the Secretary of the Ontario Mining Association as \$9,876,274. For the same period the mines of Ontario paid to the Province of Ontario, by way of taxation, the following taxes:

Mines Profits Tax	\$2,527,904	
Less municipalities' share	<u>359,496</u>	
		\$ 2,168,408
Corporation Tax		<u>788,658</u>
Making a total tax collected by the Province of Ontario		\$ 2,957,066 "

THE CHAIRMAN: That will show the Dominion receiving a little more than three times as much.

MR. WALTERS: Yes, Mr. Chairman.

HON. MR. LEDUC: Mr. Chairman, I am advised that the figure for 1936 should really be for 1937.

MR. WALTERS: I will read from page 55:

"The mines of Ontario also paid to the municipalities where they are situated the following taxes:

Municipalities' share of Mines Profits Tax	\$ 359,496
Other Municipal Taxes	<u>472,540</u>
TOTAL	\$ 832,036 "

THE CHAIRMAN: We had some complaint, I have forgotten the source.

MR. WALTERS: From the Township of Teck, I believe.

THE CHAIRMAN: The complaint was that the Municipality was called upon to provide services in the mining areas, and did not receive adequate municipal revenue by reason of the provision of the Act, which did not entitle them to tax the mines except on the agricultural land, or some provision. I have forgotten just what it was.

MR. WALTERS: Well, that of course is principally the expenditure in the schools. But the Province of Ontario,

the Provincial Government's Departments of Mines, Education and Municipal Affairs are studying that very problem and will deal with that problem, which is an internal one.

THE CHAIRMAN: Yes, it is purely a provincial problem.

MR. WALTERS: They are sympathetic, and I think they will be able to dispose of that in a proper manner.

THE CHAIRMAN: We appear to be considered an appropriate receptacle for all the griefs of the country.

MR. WALTERS: The depository of the concentrated griefs of the provinces and the Dominion.

"The figures given in the two preceding paragraphs are supplied by the mining assessor and the secretary of the Ontario Mining Association. These figures show that out of a total of \$13,665,376 paid by the mines by way of taxation, the Federal Government secured 72% of the total; the Provincial Government 22%; and the Municipalities 6%.

THE CHAIRMAN: Is there any reason why the province should not increase its tax?

MR. WALTERS: Well, that is a matter, I think, that has been discussed between the province and the Dominion in 1935, was it not, Mr. Leduc?

HON. MR. LEDUC: Yes.

MR. WALTERS: And it was considered in the public interest that no new tax should be imposed upon mining unless by way of a general tax upon everyone; they should not be singled out specially because it was recognized the great part the mines have played in the development of this country, and that they have carried us over during the depression. And not for the sake of the mines, but for the sake of the public it was believed wise to get them in there anyway.

, The Provincial Government administers the mineral resources of the Province and has to pay all the expenses in connection with such administration. It

"is true that the Federal Government has, for a number of years, done some geological survey work in the Province, and, in all fairness, it must be admitted that such work has been of use to the Province. With this exception and the maintenance of its mining laboratories in Ottawa the Federal Government does very little for the development of the mining industry in Ontario. The Provincial Government must build roads and, through the Hydro-Electric Power Commission, must provide power for some of the mines, more particularly in the North-western part of the Province. Part at least of the cost of the T & N.O. Railway was due to the wish of the Province to help the mines of the north-eastern part of the Province of Ontario. The total amount collected by the Province under the operation of the Mining Tax from 1907 to 1937 was \$13,778,689, which is less than the sum collected by the Dominion Government from the same mines within the last two years.

The Province requests that in order to preserve to the Province the full benefit of its natural mining resources the Federal Government should exempt from the operation of the Income Tax Act all profits derived exclusively from mining operations, which are subject to Provincial Mines Profits Tax; the Dominion to tax only the profits made by these companies upon their milling, smelting and refining operations. If this is done, the Province is ready to assume the geological survey work done hitherto by the Federal Department of Mines."

THE CHAIRMAN: I suppose these companies keep separate records of the profits made in their mining operations; on their smelting and other branches of work.

MR. WALTERS: It would not be a difficult thing to

keep their books in such a manner that they could do it.

THE CHAIRMAN: Of course, it would not be difficult either, by fixing the charges for smelting and otherwise, to reduce the profits by working back.

MR. WALTERS: As a matter of fact, that is the way they would have to do it. They know what it costs to deal with a product from the mouth of the mine until it is shipped to the consumer.

COMMISSIONER MacKAY: On what grounds, Mr. Walters, is it urged that the Dominion should not tax the profits of the mines? Is it on constitutional grounds, ^{or} on the ground that the Province has made this investment?

MR. WALTERS: On two grounds; first on constitutional grounds, and second on the ground that we pay the expense of building the roads and maintaining the service up to the mines, and often develop parts of the country where the mines do not go into production for years, and perhaps never. I shall ask the Minister of Mines to answer that question, if you wish.

HON. MR. LEDUC: It is on both grounds, as Mr. Walters has said. First of all, I think there is a distinction to be made between mines or minerals, or other metal resources of the Province. You can grow a forest again, you can re-forest an area of land, and you can grow a crop every year, and fish and game will multiply, but once you have taken the ore out of a mine it is gone forever, it is really capital that we are taking out of the ground all the time, and those are our resources, those are the natural resources which, according to Confederation, were given to the province.

COMMISSIONER MacKAY: But there was no limit on the power of the Dominion to tax them.

HON. MR. LEDUC: No, I admit that, of course, and then as Mr. Walters has said, the other ground is that we have spent enormous sums of money to develop these mines, and we

are just wondering if it is worth while going on because when we build roads and when we build railroads and when we provide the services then the Dominion Government steps in and takes \$3, or approximately \$3, for every dollar we secure in the way of taxation. Now, one of my colleagues reminds me that we have to provide Hydro-Electric power for the mines in the north country. In the south, of course, as we all know, Hydro-Electric is a municipal institution and it is run on a non-profit basis, the different municipalities contribute, through their rates, whatever is necessary to build the lines, maintain them, and pay the sinking fund and the interest on the borrowings. In the north country the provincial government puts up the money to build these lines which bring power to the mines, and if my recollection is correct, I believe we are providing about 110,000 horsepower at the present time to the mines in northern Ontario. My colleague reminds me of the cost of the Abitibi Canyon Development, which is upwards of \$21,000,000.

THE CHAIRMAN: Is not the returns from the sale of power now adequate to meet the cost of operation and interest on the investment?

HON. MR. LEDUC: I have not the figures, Mr. Chairman, but it all depends on the life of the mines. It is very hard to say in advance.

THE CHAIRMAN: This is one respect at least in which British Columbia would be quite prepared to travel in your company.

HON. MR. LEDUC: I have no doubt, Mr. Chairman.

THE CHAIRMAN: We had the same remark from Senator Farris in reference to the mines of British Columbia. He stressed that it would cover lumber also.

MR. WALTERS: It is just impoverishing the country.

THE CHAIRMAN: In one sense, yes, and in another sense, enriching it. I am not speaking of enriching it

in relation to the taxation problem, but the general situation. A mining development helps improve the general situation of a country.

MR. WALTERS: I shall deal now, with your permission, with the income tax.

The Income Tax Act of Ontario made its appearance on the Statute Books for the first time in 1936 and was applicable to incomes earned during the calendar year 1935. The Provinces of British Columbia, Alberta Saskatchewan and Manitoba had Income Tax Acts in force prior to this time, and the Province of Prince Edward Island had an Act by which a tax was levied on personal incomes and personal property. The Provinces of Quebec, New Brunswick, and Nova Scotia had no Income Tax Act in force and to date have not instituted this form of taxation. Municipal income taxes levied under authority of Provincial Statutes in many cases ante-date the war.

The Dominion Income War Tax Act was enacted in 1917 and its scope has been steadily extended and broadened since that date. Many of these extensions were due to evasions which were discovered in the administration of the Act as it originally stood. At the present time individuals, resident of the Province of Ontario, being married persons without dependents subject to \$2,000 exemption and having a net Income of from \$3,000 to \$1,000,000 are required to pay in Dominion Tax, from 1 per cent. of the respective income in the lowest case, to 62.53 per cent. in the highest case."

I believe Mr. Fraser Elliott filed with the Commission a Schedule showing the results of allowing as a deduction from income the tax paid to the Dominion before taxation by the Ontario Government. I have the Schedule here.

THE CHAIRMAN: We had certain Charts produced, Mr. Walters.

MR. WALTERS: I see behind me I am supported by a volume of the Statutes of King Henry VIII. Most works on economics that I have read in regard to the income tax in Great Britain begin about 1798, but in the time of King Henry VIII he had a sort of graduated income tax. There was not much that gentleman overlooked.

THE CHAIRMAN: He must have been a very wise Monarch.

COMMISSIONER MacKAY: Probably he would have made a good Commissioner of Income Tax.

MR. WALTERS: I believe King Henry VIII had to apologize to the Nation, and did, for levying a tax without the consent of Parliament, and I think he is the last King who did it, until Charles I.

COMMISSIONER DAFOE: Do not forget Charles I, who lost his head.

MR. WALTERS: Yes, and that was the end of the Ship Tax. I think it would be interesting for me to read here something that will disabuse the minds of a great many people who seem to think that the Province of Ontario collects one-half as much income tax as does the Dominion. That is not true. The effect of allowing deduction from income the tax paid to the Dominion, has just the opposite effect. It is progressive, and therefore it goes down after it reaches a certain point and finally results in a tax of over 7.71 per cent. If I may, I will just read some of these figures. The Department of National Revenue, income tax division, comparative chart, Dominion and Ontario Income Tax, Married person, no dependents. It is a Chart prepared under the supervision of Mr. C. Fraser Elliott, Commissioner of Income Tax. A married person with an income of \$10,000. will pay to the Dominion \$651. which will be 6.51 per cent ; will pay to the Ontario Government

\$227.45, or 2.27, and the total exaction would be 8.78%.

I will jump to \$50,000.00. A married taxpayer with an income of \$50,000. would pay to the Dominion \$11,959.50, or at the rate of 23.9%; to the Province of Ontario he would pay only \$3185.26, which is 6.37% of his total original income, making a total tax of \$15,144.76, or a rate of 30.29% on his taxable income above exemptions.

THE CHAIRMAN: The Ontario Income Tax, Mr. Walters, as I understand it, is 50% of the Dominion Tax without the surtax and after deduction of the Dominion Income Tax.

MR. WALTERS: Yes, and without any tax on income that goes to non-resident investors. We do not impose that. On an income of \$1,000,000 the Dominion Government would collect \$625,759, being at the rate of 62.53%, whereas the Ontario Government would collect only \$77,086.66 or 7.71% as compared to 62.53%.

THE CHAIRMAN: Have we any income tax payers in that bracket?

MR. WALTERS: They are not very many. They are rare. We had some, who have left the country. The total tax that such a taxpayer would pay would amount to \$702,445.66, which would leave him to struggle along on 280 some thousand dollars.

THE CHAIRMAN: Some of us might try to manage on that, but you cannot expect a man who had an income of \$1,000,000 to do it.

MR. WALTERS: Well, that is all I shall refer to that Chart at the present time. I think perhaps some of these figures are included in the brief.

"Section 92 of the British North America Act specifically empowers the Provinces to impose direct taxes, and Section 91 empowers the Dominion to raise money 'by any mode or system of taxation.' It is not argued that the Dominion has no power to tax in-

"comes. That issue was settled in the case *Rex v. Caron*. But it is argued that the Dominion's incursion into the personal income tax field was accepted by both the Dominion authorities and the provinces as being justified only by the existence of a national emergency and that the steady extension by the Dominion of its income tax administration, and especially its assumption of prior right in this field of taxation, are contrary to the spirit of the British North America Act and not in accordance with the conventions of the constitution.

The Dominion Income War Tax is no longer an emergency measure, but it now restricts each Province to income taxes which can never yield in comparison with the Dominion more than a meagre pittance."

THE CHAIRMAN: Mr. Walters, while you say it is no longer an emergency measure, it is a fact, is it not, that the annual expenditure of the Dominion in respect to the War, -- that is for pensions or soldiers' civil re-establishment and interest on the War debt, exceeds approximately \$10,000,000 a year.

MR. WALTERS: Yes, but that is a different kind of expenditure. That is expended within the nation to its own citizens.

THE CHAIRMAN: That is true, but it is an expenditure that has to be made by the Dominion in some form.

MR. WALTERS: Yes, but it is a national expenditure; it is not an emergency. It has become a chronic condition with the Dominion. A good deal might have been avoided by furnishing proper employment for these men.

"In the Province of Ontario not only are the rates of tax exactly half those of the Dominion, but the basis of income subject to tax in the Ontario Act is necessarily reduced by the amount of tax to which the

"same income is subject under the Dominion Act."

COMMISSIONER ANGUS: Why do you say "necessarily"?

MR. WALTERS: Because I submit that the Act also offends against the canon - I think I can use that word, - that tax ought to be such as would not discourage capital and production, and I submit now, Sir, that to establish a progressive rate of tax offends against that canon, and we would add, to the offense if we piled on and put a taxpayer in the position-if we imposed the same rate of tax, a man with an income of £1,000,000 would be a minus quantity; he would just owe us money and have nothing to live on. Big incomes would disappear and the burden would fall on the little ones, and the man who suffers the most is the one in the lowest economic scale.

COMMISSIONER ANGUS: Does it not really mean that you fix your rates as a matter of policy and choice?

MR. WALTERS: Yes, just like a man when he is standing on the shore and there is a lion behind him and in the water there is a shark. He has to take his choice as to whether he will stay on the land or jump into the water. We take the plunge.

COMMISSIONER ANGUS: One of the **Provinces** does not exempt the Dominion tax, does it?

MR. WALTERS: Alberta and British Columbia. Well then I will argue later on that that is interfering with the development of this country at the present time.

"The highest rate of tax payable to Ontario never rises higher than 8 per cent. of the taxpayer's income. The following table compares the taxes imposed under the Ontario and Dominion Acts on a married man with no dependents at a representative group of income levels:"

I will omit this, because I have read it from the Chart.

"A full comparison of the rates with an accompanying diagram will be filed as an exhibit.

On March 14th, 1938, the Legislative Assembly of the Province of Ontario unanimously adopted the following resolution: -

'That in the opinion of this Assembly, inasmuch as direct taxation is especially assigned to the provinces under The British North America Act, the prior right of the provinces in the field of income tax should be recognized by the Government of Canada by making the provincial tax on persons a deduction under The Income War Tax Act (Canada).'

That is just reversing the present procedure. I think they reflect the attitude of the people of Ontario, and that was a unanimous resolution.

COMMISSIONER ANGUS: Would not the point of that be that the Government would get money which the Dominion now gets, or that the total tax would be lower, or a little of both?

MR. WALTERS: Well, the first effect would be this, - and I shall go on later to develop this thought, - that the Province of Ontario, because of the fact that this Act is administered by the Dominion authorities, the Department of National Revenue, moulded an Act which was a copy, a pocket edition of the Dominion Act, but the Government of the Province of Ontario has slightly different ideas as to what is fiscal justice, and what features of the Dominion income tax are objectionable, and this is said in no spirit of criticism of the Dominion Act, but it is believed that there are some faults in the Dominion Act which would not be found in the Ontario Act if we were free and were collecting our own tax and were setting the basis as before, as to what the rates of tax would be in the Province of Ontario. It is a very elastic measure, and some time when

the budgetary position of the Province will permit it we might give a discount, and when the demands are greater we might add a surtax.

CHAIRMAN: You see, this would not involve, as I understand it, any change in the Federal Tax, but it would mean that in ascertaining the amount of the taxable income for federal taxation purposes the amount payable to the Province would be deducted from the total income. Is that the effect?

MR. WALTERS: That is it, Sir. It would require no change in forms. Any person subject to tax under the Dominion Act at the present time is subject to tax under our Act, be the amount ever so small, and the reverse would be true.

THE CHAIRMAN: Of course, if your tax did not exceed your present tax that might not be such a serious encroachment on the Dominion income, but if you raised your tax very substantially the Dominion would necessarily receive a very much reduced return from income tax.

MR. WALTERS: Naturally.

THE CHAIRMAN: Have you worked it out at all? Suppose your income tax remained on its present basis and you had the first claim upon the income, have you figured out how much it would amount to?

MR. WALTERS: Yes, we have, Sir, and I shall be glad to supply a schedule. Provided that the present exemptions prevailed and the present rate of tax obtained and continued, at the present rates, the loss in revenue to the Dominion would be approximately \$1,000,000.

COMMISSIONER ANGUS: Is that from Ontario alone, or counting the other Provinces?

MR. WALTERS: The Schedule refers to Ontario only.

THE CHAIRMAN: How much would it increase the Ontario Income Tax?

MR. WALTERS: At the present rates of tax, slightly

over \$1,000,000.

COMMISSIONER ANGUS: Do you mean Ontario would gain more than the Dominion lost?

MR. WALTERS: Yes. Of course, it depends on the classes of income from which the taxes arise, but it is not a tremendous question to the Dominion provided the rates of tax are constant.

THE CHAIRMAN: There is the point if the rates were constant it is not a very vital matter, but if the Ontario rates were moved away up then it would make a vital difference.

MR. WALTERS: Well, I think I have already expressed myself, that it is the belief of the Government that it is not wise to attempt to push these progressive rates too high.

COMMISSIONER ANGUS: I gather if the Province gained more than the Dominion lost, that the actual payments by the taxpayers would be higher than they are now.

MR. WALTERS: Slightly, yes.

COMMISSIONER ANGUS: But the evil, such as it is, of driving capital away or making it difficult for rich men to exist would be greater?

MR. WALTERS: No, but that tax collected by the Province of Ontario would relieve him from other taxes.

THE CHAIRMAN: It is now 4.30 p.m. and we will continue this very interesting discussion to-morrow morning at 10.30.

MR. WALTERS: I would like to say one thing before we leave, which arises out of Professor Angus's question; that without any change in our statute a great measure of relief might be given to the taxpayers of Ontario by a reduction in the Dominion rates. It would have the effect first of decreasing the tax of all the citizens, and second, by leaving a larger amount of income for us to tax. So that it

would confer two benefits.

The Commission adjourned at 4.30 p.m. to meet at 10.30 a.m. Wednesday, May 4th, 1938.

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